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Report

OF THE

Bombay Chamber of Commerce

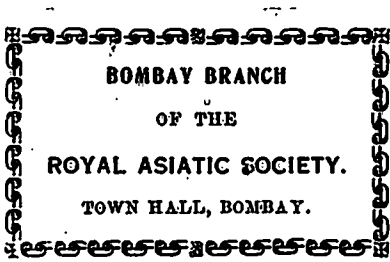
FOR THE YEAR 1941

(*Established 22nd September* 1836)

(*Incorporated 18th June* 1924)

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1942.

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REPORT

OF THE

COMMITTEE

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OF THE

Bombay Chamber of Commerce

FOR THE YEAR 1941



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Presented to the Annual General Meeting held on 25th March 1942.

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Bombay Chamber of Commerce.

ANNUAL GENERAL MEETING.

THE Annual General Meeting of the Members of the Bombay Chamber of Commerce was held in the rooms of the Chamber, Mackinnon Mackenzie and Company's Building, Ballard Estate, on Wednesday, 25th March 1942, at 11-30 a.m. to transact the following business :—

1. To adopt the Report of the Committee of the Chamber for the year 1941.
2. To elect six ordinary members of the Committee of the Chamber for the year 1942-43 in accordance with the provisions of Article 41.
3. To appoint Auditors of the Chamber's Accounts for the year 1942, and to fix their remuneration.

And any other business that may be brought forward.

Mr. J. M. B. Gibbons, President of the Chamber, presided and was supported by Mr. R. W. Bullock (Vice-President), Messrs. C. J. Damala, A. L. Hutson, D. D. Storrar, G. S. Taunton, Neville N. Wadia and B. J. Whitby, Members of the Committee.

Among those present were :—

Mr. H. F. Knight, C.S.I., C.I.E., I.C.S., Adviser to H. E. the Governor of Bombay ; Major-General F. V. B. Witts, C.B.E., D.S.O., M.C., General Officer Commanding, Bombay District ; Col. A. G. Russell, A.A. and Q.M.G., Bombay District ; Mr. H. V. R. Iengar, C.I.E., I.C.S., Secretary to the Government of Bombay, Revenue Department ; Mr. P. C. Shah, Accountant-General ; Mr. F. A. I. Richardson, Collector of Customs ; Mr. J. R. Trevor Booth, C.I.E., I.C.S., Postmaster-General; Mr. H. E. Butler, O.B.E., Commissioner of Police; Mr. J. B. Shearer, I.C.S., Income-Tax Commissioner ; Dr. Z. Augenthaler, Consul for

Czecho-Slovakia; Mr. W. D. M. Clarke, H. M. Trade Commissioner; Engr.-Capt. W. J. Lifton, Principal Officer, Mercantile Marine Department, Bombay District; Mr. C. E. Leman, Deputy Representative at Bombay, Ministry of War Transport; Lt.-Col. A. J. Ransford, C.I.E., R.E., Mint Master; Dr. J. A. Collaco, L.M. & S., Mayor of Bombay; Mr. W. G. H. Templeton, Docks Manager, Bombay Port Trust; Mr. M. H. Kantawala, M.A., Ceylon Trade Commissioner for India; Mr. P. Sykes, Canadian Government Trade Commissioner for India, Burma and Ceylon; Mr. J. Williamson, Master, Bombay Presidency Trades Association, Ltd.; Mr. M. L. Tannan, I.E.S., Special Officer, War Risks (Goods) Insurance; Mr. E. Radbone, Controller of Enemy Trading; Sir Vithal Chandavarkar, Deputy Chairman and Mr. N. S. V. Aiyer, Acting Secretary, Bombay Millowners' Association; Mr. C. B. Cockaine, Honorary Secretary, European Association (Bombay Branch); the Editor, *Indian Textile Journal*.

The following members of the Chamber attended the meeting :—

Mr. G. A. H. Alexander ..	Alexander & Co.
,, C. F. Freeman ..	Andrew Yule & Co., Ltd.
,, L. A. Halsall ..	Anglo-Thai Corporation, Ltd.
,, W. H. Rooksby ..	Asbestos Cement, Ltd.
,, W. J. Ballantyne ..	
,, H. L. T. Aspden ..	Aspdens Ltd.
,, T. A. H. Harrison ..	Associated Cement Companies, Ltd.
,, Fredoon B. Murzban .	Bell, Russ & Co., Ltd.
,, J. P. Eranee ..	
,, W. T. Lane	Bombay Gas Co., Ltd.
,, L. W. Boulter ..	
Sir Joseph Kay ..	W. H. Brady & Co., Ltd.
Mr. A. H. Baker ..	
,, H. L. LeRoy ..	Burmah-Shell Oil Storage and Distributing Co. of India, Ltd.
,, A. W. Percy	
,, W. J. Burrows ..	W. J. Burrows

Mr. C. W. Fowler ..	Cement Marketing Co. of India, Ltd.
,, D. A. Telfer ..	The Central Agency, Ltd.
,, W. G. McKee ..	P. Chrystal & Co.
,, C. J. Schmuki ..	Ciba (India), Ltd.
,, C. W. Warrington ..	Cox and Kings (Agents) Ltd.
,, W. J. Wells ..	Cutler, Palmer & Co.
,, C. P. Bramble ..	Drennan & Co.
,, J. G. Vecqueray ..	English Electric Co., Ltd.
,, J. S. Tait ..	A. F. Ferguson & Co.
,, J. L. Dickie ..	Gillanders, Arbuthnot & Co.
,, J. S. R. Spelman ..	Graham's Trading Co. (India), Ltd.
,, A. McIntosh ..	Greaves Cotton & Co., Ltd.
,, G. R. Thom ..	Guest Keen Williams, Ltd.
,, J. A. Thom ..	
,, F. Moore	W. T. Henley's Telegraph Works Co., Ltd.
,, Madhavlal M. Bhatt .	Madhavlal & Co., Ltd.
,, M. M. Jalaluddin ..	M. A. Mullick & Co.
,, E. J. Spuhler ..	Nestle and Anglo-Swiss Condensed Milk (Export) Co., Ltd.
,, H. K. Tutton ..	Ormerods (India), Ltd.
,, H. W. Fieth ..	Parke, Davis & Co.
,, W. G. Lloyd ..	
,, J. Scott-Ferguson ..	Remington Rand Inc.
,, A. Pether ..	David Sassoon & Co., Ltd.
,, C. R. M. Tippet ..	
,, C. U. Magnusson ..	The SKF Ball Bearing Co., Ltd.
,, L. A. Stronach ..	L. A. Stronach & Co. (India), Ltd.
,, W. L. A. Radcliffe ..	Turner Morrison & Co., Ltd.
,, A. W. C. Brown ..	
,, C. O. Fountain ..	
,, J. Vonesch ..	Volkart Brothers.
,, S. O. Sundgren ..	Western India Match Co., Ltd.
Sir Alexander Gray ..	The Bank of India, Ltd.
Mr. D. Laidlaw ..	Chartered Bank of India, Australia and China.

Mr. E. J. Dawson ,, A. R. Chisholm	Imperial Bank of India.
,, R. N. Drake	Mercantile Bank of India, Ltd.
,, F. A. C. Gibson	Commercial Union Assurance Co., Ltd.
,, C. R. C. Gardiner	New Zealand Insurance Co., Ltd.
,, V. C. Wright	Royal Insurance Co., Ltd.
,, H. Chamberlain	Sun Life Assurance Co., of Canada.
,, C. R. Agar	Yorkshire Insurance Co., Ltd.

Mr. C. H. Courthope-Munroe, Secretary and Mr. H. Royal, M.B.E., Assistant Secretary of the Chamber.

The notice convening the meeting having been read, MR. J. M. B. GIBBONS, in opening theproceedings, said :—

Mr. Knight and Gentlemen,—We had been looking forward as usual to the presence of His Excellency the Governor at our Annual Meeting, and we much regret that after all he has been unable to attend. However, as you know he has been called to Delhi on State affairs of the greatest importance in connection with the mission of Sir Stafford Cripps to India. In going he has been good enough to depute his Senior Adviser, Mr. Knight, to attend in his place, and to Mr. Knight we offer a warm welcome and thanks for his presence here.

As you can well understand, the Chamber's work nowadays is concerned very largely with circumstances arising out of the war. In fact there can be few, if any, firms and businesses represented here to-day, that are not making some contribution, greater or smaller, direct or indirect, towards the prosecution of the war. In this war, perhaps more so than in any other, the problem of supply is of paramount importance, and India is playing a large and indeed a vital part in the provision of supplies to the Allied forces on many fronts. To this effort Bombay is making no small contribution, and in this work members of the Chamber are playing their full part. Moreover, the ordinary channels of commerce have very largely dried up

and there is now not much left in the way of import and export business that is not controlled by Government under some kind of regulation or another. These developments have naturally brought about a much closer contact between Commerce and Government, and particularly those new and expanded organisations of Government dealing with Supply, and I am confident that I am voicing the opinion of all of you when I say that we have found a good deal to criticise. This is not the time for mere carping criticism, but the deficiencies of which we complain are so clearly detrimental to the country's war effort that I feel it is only right that I should draw attention to them.

Possibly the greatest sources of irritation to us commercial men are the delays and indecisions that seem inevitable in dealing with any of the Departments of Government. This was of course, equally true in peace-time and I think the trouble lies in the fact that the ordinary machinery of Government has not moved with the times. It is still geared to the pace of the bullock-cart and sailing ship, and it requires a complete overhaul if it is to succeed in accommodating itself to the *tempo* of modern warfare, to the speed boat and the aeroplane. The emphasis seems all to be on filling in the correct form and finding the regulations that have to be complied with, and the result is far too much centralisation, too much need for the long-drawn-out process of reference to Delhi and Simla, and too little discretion given to officials on the spot to use their judgment and decide for themselves. From Malaya and again from Burma we have heard the broadcast appeals of the Governors there to all officials to abandon routine, to decide promptly and to translate their decisions into action. That is equally sound advice for India. The war is much too close to allow of actions being controlled by forms and regulations. The sole criterion nowadays should be " Will this help on the war effort or will it not, ? " and all officials in all departments both of the Centre and of the Provinces should be instructed to apply that test and make their decisions for themselves.

It is not only in the lower ranks of the Services that this inability to take prompt action is evident : but in the highest as well. Steps are now being taken, I hope, to co-ordinate and organise the whole of the country's transport under one central authority, but we have had to wait far too long for this much-needed development, and there are still no signs that sufficient attention is being paid to alternative methods other than Railways. It may be true, as the Hon'ble Member for Communications said recently, that 98 per cent. of traffic goes by rail, but it is equally true that the Burma Road was carrying up to 40,000 tons a month before it was cut.

Take coal. For a long time the coal situation was working up to a crisis and the industry itself was crying out for remedy through Government action if vital war production was not to be seriously impeded ; but no remedy has been forthcoming. The property war risk insurance scheme still hangs fire although it was broached not far off a year ago. It has been the subject of announcements by Government and from what one hears always appears to be on the point of settlement, but actual settlement has still to be reached. Instances multiply themselves of similar delays of greater or less importance, and it is a matter of common knowledge that one of the things most difficult of achievement is to find someone in a Government department who can settle something not provided for in the regulations and settle it out of hand. Some machinery in Rangoon was urgently needed by the Government of India for war work, and a prompt decision could have secured its transfer to India. It is still in Rangoon.

I am far from blaming officials generally. I think that they, as much as ourselves, are victims of the system, and however willing they may be to ignore regulations and discard red tape they have not the power to do so. I have a strong feeling too that what has been called the " Dead Hand of Finance " lies too heavily over all departments and has a paralysing effect throughout. In peace-time, it

is true, Finance was the master of the spending departments, but this war has taught us that all the old financial canons have gone by the board. The roles are now reversed, and Finance has become the servant. It is for the Services to state their needs and for Finance to find the means to pay for them. Too often do we hear of decisions being held up because of the need for reference to the Finance Department, just one more stumbling-block in the way of getting on with the job.

But in looking at the faults of Government do not let us blind ourselves to our own. We business men in India have suffered just as much as any others from the great fault of complacency. Up to December last the war was very far away from us, and we could, and I am afraid we did, view it with a certain amount of detachment. All that is changed now. There is no more room for detachment and none for complacency. That full Victory will ultimately be ours I have no doubt at all. But in the meantime we have a hard row to hoe and it is up to each of us to give of his best. For most of us here our duty is to remain in Commerce, but what we can do is to see whether by working longer hours, by doubling up jobs, by senior men going back to do the work of juniors, it is not possible to release some younger and more fortunate men for combatant service. There are all the other opportunities too of service with the Passive or Active Defence units, and, not the least important, the practising of personal economies and war savings and gifts. I know quite well that Bombay Commerce has an excellent record in all these respects, but at the present time some extra effort is demanded of us and there is one question that we have to ask ourselves now, each and all of us, and that is, "Am I personally doing all I can to help on the War Effort ?."

Well gentlemen, I have addressed you with greater brevity than is usual on this occasion and I must apologise for having omitted the customary review of the Chamber's work during the past year. But the printed report is in your

hands for all of you to read, and I feel that what is wanted now is not so much reflection on the past as a quiet determination for the future.

In conclusion, I would wish to offer my sincere thanks to the Committee for their loyal and able support throughout the year. Your Vice-President, Mr. Bullock, as I think you all know, is a tower of strength to any Committee on which he serves, while the others of your Committee have been as usefully independent and critical as any Chairman could wish for. We are much beholden too to all those members of Sub-Committees, on whom we rely so much for expert advice, while your thanks are also due in no small measure to the Secretary, Assistant Secretary and to the other members of the Staff for their achievement during a year of hard work.

On behalf of the Committee and Staff of the Chamber I have to thank you yourselves, gentlemen, for your support.

I have now much pleasure in proposing that the Report of the Chamber for the year 1941 be adopted and confirmed.

MR. R. W. BULLOCK, the Vice-President, said :—Mr. President, Mr. Knight and Gentlemen,—Before formally seconding the resolution that the Report for the year be adopted, there are two points on which I would like to comment. I will be as brief as possible.

The first point is an important one—the Excess Profits Tax.

The Excess Profits Tax became law on the 13th April, 1940. Your Committee had previously pointed out to the Central Board of Revenue how, in their opinion, Schedule II relating to the computation of capital would cause many cases of hardship, and they urged an amendment of the Act.

In the 1940 Bill to amend the Act, which became law on the 3rd December 1940, certain amendments to Schedule

II were made. Your Committee, however, were still not satisfied with the method of computing capital and made further representations to the Central Board of Revenue. These, unfortunately, met with no success.

Your Committee are still of the opinion that the method adopted by Government is wrong, and I hope that assessees adversely affected will make strong representations to the Central Board of Revenue.

Last July your Committee addressed the Finance Department of the Government of India drawing attention to alterations made in the U. K. Finance Act of 1941 whereby all increases in borrowed money were treated as capital, as was all borrowed money where the standard of percentage was adopted as the standard of profits. The situation has been met in England by providing that increases of capital and the capital of new businesses should be computed by reference to the total capital employed, whether owned or borrowed. Your Committee considered that the extension of relief in this manner was of particular importance in India, as the provision of capital by Managing Agents and by fixed deposits was a widespread method of raising funds to which there was no counterpart in the U. K. As a result of this and similar representations from other bodies, a second Amendment Bill was introduced on the 18th October 1941, which I am glad to say has met the objections to the previous discriminatory treatment of borrowed money.

It is obvious that when the rate of tax is so high that, as at present, 77.5 per cent. of the excess profits is taken by way of excess profits tax, income-tax and super-tax, there are many provisions which, although they give rough justice when tax is at low levels, are harsh and inequitable at high levels. At the same time, it is an old maxim that "hard cases make bad law," so it is impossible to provide relief by way of legislation that will remove all cases of hardship without at the same time creating a new series of hardships that had not been thought of before.

If, therefore, the administration of an Act like this is to work reasonably and, as far as possible, equitably, it is essential that the power given to the Central Board of Revenue under section 26 to remedy individual cases of hardship should be generously exercised. It may be thought that if in the United Kingdom Excess Profits Tax can be raised to 100 per cent. and Income-tax to 50 per cent. the same may be done in India. I would remind you, however, that a concession in the charge of Excess Profits Tax was made later in the U. K. in the shape of a promise to refund 20 per cent. at some date after the war. Excessive taxation is a damper on enterprise, and I think you will all agree that the Finance Member has been well advised to leave the rate of Excess Profits Tax untouched for a further year.

With regard to the Government scheme for the creation of a rehabilitation fund, we welcome this in principle but the terms on which such a fund will be administered after the war are so vague that I hesitate to say more.

Finally, I would mention that the Chamber wishes to record an emphatic protest against the inordinate delays in the settlement of Excess Profits Tax assessments and, in particular, the consideration of cases referred to the Boards of Referees and the Central Board of Revenue. These delays are causing assessees, particularly joint stock companies, considerable embarrassment. I will go further and say that unless there is a speeding up of the settlement of these cases, there is a risk that Government may find when the time for collection comes that the money is not available in the hands of the assessees.

In June 1940 the Government of India, in agreement with the Government of Bombay, established a Committee known as the Provincial Advisory Committee for War Supplies. This Committee is presided over by one of the Advisers to H. E. the Governor of Bombay, and the Controller of Supplies, Bombay, is the Vice-Chairman. Commercial and Industrial Associations of Bombay are

represented on this Committee which, as its name implies, has no executive powers. Since its inception I have been the Chamber's representative, and I am satisfied that although it functions only in an advisory capacity, it has, if I may say so, a considerable nuisance value. Regular monthly meetings have been held and these meetings have afforded an opportunity for the pooling of many justifiable complaints and constructive suggestions in regard to the relations between commercial and industrial interests and the various Government Departments of Supply and Commerce.

It is difficult for your representative on this Committee to take full advantage of this representation unless he is kept in touch with the difficulties experienced by members of the Chamber, and with the constructive suggestions many of you, I have no doubt, can put forward. I assure you that any views that are put forward, provided facts and figures are given, will receive full consideration by the Committee as a whole, and in particular, by the Controller of Supplies, Bombay.

Complaints in general terms are always difficult to dispose of, and I would again ask you to bear in mind that all references should be supported by full details.

I have pleasure in seconding the resolution.

The Report was adopted unanimously.

MR. H. F. KNIGHT, Adviser to His Excellency the Governor, read the following speech on behalf of His Excellency:—Mr. President, and Gentlemen,—I had been looking forward to attending your Annual Meeting to-day, for the fifth year in succession. Circumstances, however, of which you are aware, have arisen which have made it impossible for me to be with you. I have, therefore, asked my Adviser, Mr. Knight, to take my place and to read my speech to you. I would like, however, to say how much I regret my inability to be present to-day, as I have always valued the opportunity, which this Annual Meeting provides, of meeting you in person.

Mr. President, I have read your forceful speech with close attention. Let me say, at once, that I realise to the full how anxious and determined commercial interests in Bombay are to give their unstinted co-operation to India's war effort, and I understand, therefore, the feelings of impatience which you have expressed about those matters which hinder and retard the full flow of the help which commerce could give to the war effort. It would have been miraculous if the change-over from a peace-time basis to vast war production had been accomplished without many checks and disappointments: but I think the story of what has been accomplished in the last two years in India shows, not that the task is too great for the machine, but that the machine can, painfully perhaps, overcome an immense array of problems and record remarkable achievements. One of the necessities, if progress towards a total war effort is to continue successfully, is that there should be frank criticism on the part of those who see the shortcomings, and a readiness on the part of the authorities to consider such criticism and, when necessary, to put things right. Your criticism, Mr. President, has been frank and, I would say, fair also. That it will be listened to, I have no doubt whatever. It is not for me, of course, to speak on behalf of the Government of India, but I can tell you, of my own knowledge—and I feel sure that you recognise it also—that the Honourable Members in charge of the departments who deal with these problems are not only aware of the difficulties which you have been experiencing in Bombay, but are determined to put them right. I would add, if I may, that although these matters do not come directly within my own responsibility, I regard it as an obligation to assist in all possible ways in any matter which concerns the efficiency of the war effort, and, in cases of urgency and importance, I am ready to use my good offices to pass through what is often referred to as red tape, and to make direct contact with the head of the department concerned.

The Vice-President has made some pertinent remarks on the usefulness of the Provincial Advisory Committee

for War Supplies, and, in connection with what I have just said, I would emphasise the point which he made that the usefulness of the Committee could be greatly increased if the difficulties experienced by members of your Chamber are put forward in the form of concrete examples. As he very rightly says, complaints in general terms are difficult to deal with. If, however, chapter and verse is given, the Committee will be able to speak with definite knowledge, and those responsible will, with greater speed, be able to secure the elimination of causes of inefficiency. I have no doubt whatever that everyone in authority is out to remove delays and inefficiency, and to show that the machine is not one which is obsolete and unsuited to the new and stern work which it is called upon to perform, but that it is capable of coping successfully with the tremendous work which lies ahead of it.

When I spoke to you a year ago, I made a computation of the contribution which industry and commerce in this Province were making to the war effort. It came to an impressive proportion of the whole effort. I shall not attempt a further detailed survey on this occasion, but it is clear that Bombay's contribution has greatly increased in volume, and provides an even more important proportion than was the case a year ago. Indeed, it would be difficult to exaggerate the vital nature of the part which Bombay is playing to-day in the Allied war effort. It is, therefore, the clear duty of each one of us to work, as never before, to ensure that that effort is not only maintained, but increased in every possible way. We are in a favoured position. Of all the great cities in India, Bombay is, at present, one of the safest from prolonged and sustained attacks. We are not in the front line, and we must increase our efforts so that those who are in the front line may be sustained with all that they require. A great task, therefore, falls upon everyone, whether employers or employed : and I pay my tribute, both to the employers and to their workers, for the work which they are doing. It is not easy for working people, in particular, to remain free from the anxieties which recent

developments in the war have brought to India : but they are showing a fine spirit, and I am confident that they will continue to play their part in the production of those supplies by which the Nazi and Fascist aggressors will be defeated. My Government, also, has an important part to play, and we are doing our utmost to ensure that supplies of foodstuffs essential for the life of the community are maintained, both at the present time and in any emergency which may conceivably develop.

I would not like to close without saying one word about the very useful work which many of you are doing, in addition to your major task of keeping the wheels of production going. In Civil Defence, in Red Cross work, in assisting evacuees, in promoting the welfare of the troops, and in other spheres, you are, in your spare time, making very useful contributions. I would like to express my appreciation of all that is being done, which is all the greater because of the knowledge that you are doing far more work, with far less staff, than ever before.

Finally, I would repeat my regret at my inability to be present with you to-day. The months ahead will undoubtedly be crucial. Prodigious effort will be required from all of us before we break through to happier times.

MR. V. CORBETT WRIGHT in proposing a vote of thanks to the Committee, said:—Mr. President, Mr. Knight and Gentlemen,—It is my privilege to propose a vote of thanks to the President, Vice-President and the outgoing Committee. The past year must have been a very strenuous one for them. A reference to the Committee's Report indicates that the first forty odd pages are devoted solely to matters arising directly from the war and we know that in these days when all are working with short staffs the finding of solutions to those problems must have added a considerable burden to their normal duties.

We have grown accustomed to set a hallmark on expressions of opinion from the Chamber and we must congratulate our Committee, who in spite of the strain,

have been able to maintain the high standard of the past. Such would not have been the case had we not been fortunate in having a President, Vice-President and Committee willing to give very generously of their time for the common good and I am sure we all welcome this opportunity of conveying to them our very grateful thanks.

I will now formally propose "That the thanks of the Chamber be tendered to the President, the Vice-President and the outgoing Committee for their able conduct of the affairs of the Chamber during the past year."

MR. C. W. WARRINGTON seconded the proposition which was carried with acclamation.

Under the provisions of Article 41 of the revised Articles of Association, adopted at the Special General Meeting of members held on the 19th February 1941 the outgoing Committee in conjunction with the incoming President and Vice-President, are empowered to select six duly qualified persons to serve, if elected, as ordinary members of the Committee for the ensuing year, and these six gentlemen are to be deemed to have been duly proposed for election. The following names were submitted to the vote separately and were elected unanimously by a show of hands :—

MR. R. W. BULLOCK.
MR. H. G. DAVIES.
MR. VITHALDAS KANJI.
MR. H. L. LEROY.
MR. G. S. TAUNTON.
MR. B. J. WHITBY.

MR. R. N. DRAKE proposed, MR. L. A. STRONACH seconded, and it was agreed :—

"That MESSRS. SHARP AND TANNAN be and are hereby elected Auditors of the Chamber's accounts for the year 1942 at a remuneration of Rupees Two hundred and fifty"

A vote of thanks to the President terminated the proceedings.

Bombay Chamber of Commerce

ANNUAL REPORT FOR 1941

ELECTION OF PRESIDENT AND VICE-PRESIDENT OF THE CHAMBER FOR THE YEAR 1942-43.

In accordance with the prescribed regulations, MR. J. M. B. GIBBONS and MR. L. A. HALSALL were elected President and Vice-President, respectively, of the Chamber for the year 1942-43.

CHANGES IN THE COMMITTEE DURING 1941.

Under Article 43 of the Chamber's revised Articles of Association, the Committee not later than fourteen days after the date of the annual general meeting, have to nominate a duly qualified person to be an ordinary member of the Committee. In accordance with the provision of this Article the Committee nominated MR. D. D. STORRAR.

In June 1941 MR. STORRAR resigned his seat on proceeding on leave and MR. W. KERR was nominated to serve in his stead.

In November 1941 MR. KERR resigned on transfer from Bombay and MR. STORRAR was re-nominated to serve in his stead.

AUDITORS OF THE CHAMBER.

MR. B. J. WHITBY having been elected a member of the Committee of the Chamber, MESSRS. A. F. FERGUSON & Co. were ineligible to audit the Chamber's accounts for the year 1941 under Article 87 (*b*) of the Chamber's Articles of Association. MESSRS. SHARP & TANNAN were accordingly appointed Auditors at the annual general meeting of the Chamber held on 26th March 1941.

BOMBAY PORT TRUST.

CHAMBER'S REPRESENTATIVES.

The terms of office of MESSRS. W. A. BELL, R. W. BULLOCK, R. C. LOWNDES, A. MCINTOSH and G. S. TAUNTON as representatives of the Chamber on the Board of Trustees of the Port of Bombay expired on the 31st March 1941. A ballot was held on the 6th March 1941 and resulted in the re-election of the above-named gentlemen to serve for a further period of two years from 1st April 1941.

In May 1941 MR. J. N. KERR was elected to serve as a Trustee of the Port of Bombay in place of MR. W. A. BELL who had obtained leave of absence from the meetings of the Board for two months from 16th May 1941.

BOMBAY MUNICIPAL CORPORATION.

CHAMBER'S REPRESENTATIVE.

In July 1941 MR. H. C. D. IRWIN, the Chamber's representative in the Bombay Municipal Corporation, resigned his seat on being called up for military duty and MR. H. CHAMBERLAIN was elected to serve in his stead.

INDIAN CENTRAL COTTON COMMITTEE.

CHAMBER'S REPRESENTATIVE.

In February 1941 the Indian Central Cotton Committee informed the Chamber that the term of office of its representative would expire on the 31st March 1941 and requested the Chamber to nominate a member to fill the vacancy. The Chamber re-nominated MR. L. F. H. GOODWIN.

BOMBAY SMOKE NUISANCES COMMISSION.

CHAMBER'S REPRESENTATIVE.

In August 1941 the Government of Bombay notified the Chamber that under Government Notification, Political and Reforms Department, No. S.20/29, dated the 15th December 1939, the period of constitution of the existing

Bombay Smoke Nuisances Commission expired on the 31st December 1941, after which date a new Commission would have to be constituted under the Bombay Smoke Nuisances Act for a period of two years. The Chamber was requested to communicate to Government the name of the member who might be nominated as its representative for appointment on the Commission. The Committee re-nominated MR. H. F. MILNE.

AUXILIARY FORCE ADVISORY COMMITTEE.

CHAMBER'S REPRESENTATIVE.

In February 1941 the Government of Bombay informed the Chamber that the term of office of the existing Advisory Committee for the Bombay District under the Auxiliary Force Act, 1920, would expire on the 31st March 1941 and requested the Chamber to nominate its representative on the Committee for the year 1941-42.

The Committee re-nominated MR. V. F. NOEL-PATON.

BOARD OF COMMUNICATIONS.

CHAMBER'S REPRESENTATIVE.

In June 1941 MR. G. H. RICHMOND resigned his seat as the Chamber's representative on the Bombay Board of Communications owing to ill health and MR. G. P. PAKENHAM WALSH was nominated to serve in his stead.

ROYAL BOMBAY SEAMEN'S SOCIETY.

CHAMBER'S REPRESENTATIVE.

In April 1941 the Chamber was asked to nominate a representative to serve as a member of the Royal Bombay Seamen's Society under the provisions of Rule 1 (*e*) of the Rules and Regulations of the Society. The Committee re-nominated MR. C. H. COURTHOPE-MUNROE.

SUB-COMMITTEES.

The undermentioned gentlemen were nominated to serve on the following Standing Sub-Committees of the Chamber for the year 1941-42 :—

Import Sub-Committee.
Mr. H. G. Davies (*Chairman*).
Mr. W. J. Burrows.
Mr. J. N. Kerr.
Mr. A. Sotiriadi.
Mr. J. E. Tew.

Export Sub-Committee.
Mr. L. F. H. Goodwin (*Chairman*).
*Mr. J. L. Joannides.
Mr. M. Paspatti.
Mr. R. G. Saraiya, O.B.E.
Mr. J. Vonesch.

Docks and Railways Sub-Committee.
Mr. G. E. Berkley (*Chairman*).
Mr. W. T. Aldous.
Mr. J. G. Milne.
Mr. C. F. Morris.
Mr. C. W. Warrington.
Mr. D. A. H. Windle.

Labour Sub-Committee.
Mr. A. W. Percy (*Chairman*).
Mr. D. D. Carcary.
Mr. H. F. Milne.
Mr. S. O. Sundgren.
Mr. F. S. Woodcock.

Income-tax Sub-Committee.
Mr. A. E. Blair (*Chairman*).
Mr. G. A. H. Alexander.
Mr. G. C. Pocock.
Mr. C. R. Sharp.

Finance Sub-Committee.
Sir Alexander Gray (*Chairman*).
Mr. E. J. Dawson.
Sir Kikabhoy Premchand.

Weather Working Days Sub-Committee.
Mr. R. W. Bullock.
Mr. A. L. Hutson.
Mr. C. E. Leman.

*In November 1941 Mr. Joannides resigned his seat on the Export Sub-Committee on transfer from Bombay and Mr. A. Moch was nominated to serve in his stead.

MEMBERSHIP OF THE CHAMBER.

The total membership of the Chamber on the 1st January 1942 was 178 against 181 at the beginning of 1941.

The following are the names of members elected :—

ACME THREAD COMPANY. Proposed by Messrs. Killick, Nixon & Co., and seconded by Messrs. Sharp & Tannan.

ASPDENS LIMITED. Proposed by the Chartered Bank of India, Australia and China and seconded by Messrs. A. F. Ferguson & Co.

MESSRS. M. A. MULLICK & Co. Proposed by Netherlands Trading Society and seconded by the Chartered Bank of India, Australia and China.

THE METAL BOX COMPANY OF INDIA, LTD. Proposed by Messrs. H. J. Foster & Co., Ltd., and seconded by the Imperial Chemical Industries (India), Ltd.

MESSRS. VICTOR X-RAY CORPORATION (INDIA), LTD. Proposed by the International General Electric Co. (India), Ltd., and seconded by the American Express Co. Inc.

MESSRS. POHOOMULL BROS. (INDIA). Proposed by the Netherlands Trading Society and seconded by the Chartered Bank of India, Australia and China.

MESSRS. MAY & BAKER (INDIA), LTD. Proposed by Messrs. A. F. Ferguson & Co. and seconded by Lloyds Bank Limited.

MESSRS. DUNCAN STRATTON & Co., LTD. Proposed by the Mercantile Bank of India, Ltd., and seconded by the Imperial Bank of India.

MESSRS. ARMSTRONG SMITH LTD. Proposed by Messrs. Forbes, Forbes, Campbell & Co., Ltd., and seconded by Messrs. Sharp & Tannan.

MESSRS. LOUIS DREYFUS & Co., LTD. Proposed by Lloyds Bank Limited and seconded by Messrs. Ralli Bros., Ltd.

The following resigned their membership of the Chamber :—

Messrs. Duncan Stratton & Co.

Messrs. Morris Industries (India), Ltd.

Messrs. Courtaulds (India), Ltd.

Messrs. Rodocanachi & Co.
Messrs. L. Armstrong Smith.
Messrs. Louis Dreyfus & Co.
Messrs. Muller & Phipps (India), Ltd.
Messrs. Gosho Kabushiki Kaisha, Ltd.
The Japan Cotton Trading Co., Ltd.
Messrs. Mitsui Bussan Kaisha, Ltd.
Messrs. Nippon Yusen Kaisha.
Messrs. Toyo Menka Kaisha, Ltd.
The Yokohama Specie Bank, Ltd.

VISIT TO THE CHAMBER OF SIR RAMASWAMI MUDALIAR.

THE HON'BLE SIR RAMASWAMI MUDALIAR, KT., C.I.E., Commerce Member of the Government of India, visited the Chamber on the 8th September 1941 and informally discussed the following subjects with the Committee :—

(*i*) Import Trade Control.
(*ii*) Enemy Vessels in Marmagoa Harbour.
(*iii*) War Risk Insurance on Buildings.
(*iv*) Increased Cost of Living.
(*v*) Petrol Rationing.
(*vi*) Japanese Trade—Frozen Assets.

VISIT TO THE CHAMBER OF MR. M. SLADE.

MR. M. SLADE, C.I.E., I.C.S., Member, Central Board of Revenue, accompanied by MR. P. N. CHANDAVARKAR, Collector of Customs, Bombay, visited the Chamber on the 18th June 1941 and had an informal discussion with the Committee on the following subjects :—

(1) Closing of the Custom House on Bank Holidays.
(2) Difficulties in obtaining export licences.
(3) Examination of heavy machinery.
(4) Refunds of excess Agricultural Cess.
(5) Delays in the acceptance of amendment fees.
(6) Delays in the delivery of consignees mails.

VISIT TO THE CHAMBER OF MR. J. F. SHEEHY.

(*See Report* 1939, *page* 11 ; 1940, *page* 12.)

MR. J. F. SHEEHY, C.S.I., I.C.S., Member, Central Board of Revenue, accompanied by MR. C. W. AYERS, C.I.E., Excess Profits Tax Adviser to the Government of India and MR. J. B. SHEARER, I.C.S., Commissioner of Income-tax, Bombay, visited the Chamber on the 21st July 1941 and discussed the following points with the General Committee, the Income-tax Sub-Committee and the Excess Profits Tax Sub-Committee :—

INCOME-TAX.

1. *Operation of Sections* 16 (2), 18 (5) *and* 49-*B*.—It was understood that the reason for the amendment of the Act relating to dividends was, in order that if a company did not pay tax on the whole of its income, double income-tax relief should not be obtainable on the whole of the dividend. The interpretation placed by the Department on these sections was that income-tax must be grossed up at the rate when the dividend was declared but, in the case of a holding company, taxed at the next year's rate, although credit was only given for the tax grossed up. It was submitted that this interpretation was incorrect, in view of Section 49-B and that either instructions should be given correcting the matter or the matter be rectified in the Amendment Bill.

Mr. Sheehy stated he would consider this matter further in the light of a memorandum which Mr. Whitby was to send to him.

2. *Registration of Partnerships.*—It was submitted that the regulations should assist registration and not make it difficult or impossible. Partners on active service could not possibly check the accounts and could sign any partnership documents for conformity only. Concerning the registration and renewal of registration of a firm the requirement that the application should be signed personally should in the present circumstances be waived as regards all partners who had been taken into national service and all partners resident outside India.

As regards the proposed alterations to the Rules regarding dissolution of firms, applications for registration should be permitted up to the time of assessment because on dissolution the firm in effect remained alive for the purpose of winding up. When the dissolution was brought about by death, the surviving partners only ought to apply.

Mr. Sheehy said he sympathised with the difficulties of partners on war service or outside British India being required to sign applications for registration personally and that he would see if a concession could be made for the war period.

Regarding the question of dissolution, Mr. Sheehy stated that he had not seen the Chamber's representation but he would consider it. He noted the suggestion for the substitution of the words " persons in receipt of a share in the income of a partnership " for " partners " and said he would give it his consideration.

3. *Sections* 42 (2) *and* 42 (3).—It was clear from Note 111 of the 6th and 7th editions of the Income-tax Manual, that the object of this was to prevent evasion of tax through a parent company charging the subsidiary at an inflated price. In spite of the restriction of the application of the section of cases where the profits of the resident were either *nil* or " less than ordinary profits which might be expected to arise in that business," i.e., obviously, which any outside firm would make in dealing with the parent company, the Income-tax Officer was seeking to apply this section to tax the whole of the excess of selling price in India by the subsidiary over the manufacturing cost of the parent company plus expenses. It was submitted that this also contravened section 42 (3).

Mr. Sheehy stated that no orders had emanated from the Central Board of Revenue or the Commissioner directing the use of section 42 (2) generally to cases otherwise than to cases in which the facts brought the sub-section into force, and that if it was the practice of the Income-tax

Department to apply section 42 generally to parent companies and subsidiaries, this matter should be taken up with the Commissioner.

4. *Section* 42 (3).—The present contentions of the Income-tax Officer made this section almost a dead letter except in the case of export companies.

Mr. Sheehy stated he was adamant in his construction that section 42 (1) did not apply to income accruing or arising in British India, for instance, the profits of a sale in British India, and therefore section 42 (3) did not apply to such cases. Mr. Sheehy added that in one case which had come to his notice the Income-tax Officer had applied section 42 (3) so as to tax that part of a transaction which took place in British India and which resulted in a profit although the whole transaction had resulted in a loss. Mr. Sheehy stated he had issued instructions that this was not to be done.

5. *Sections* 49-*B and* 49-*D*.—There seemed no warrant for the Department's attempt to gross with the income received from foreign dividends the tax paid by the foreign company.

Mr. Sheehy stated that the official view was that a company paid income-tax on behalf of a shareholder and therefore received a share of the dividend.

It was pointed out, however, that by reason of the difference in wording of section 16 (2) and 49-B the phrase "income-tax" in section 16 (2) referred to British Indian income-tax only, and that there was no provision in the Act for grossing up foreign tax to which section 49-D applied.

Mr. Sheehy stated he would consider this further in view of the contention regarding the limited relief under section 49-D.

6. *Succession in the case of business vested in the Controller and carried on by him.*—It was requested that the position should be made plain whether these were successions or not.

Mr. Sheehy stated that the matter of succession in these cases was still under discussion arising out of a representation to the Central Board of Revenue. He said it had been pointed out to him, that if there was any ruling of the Board in this matter to the effect that there was no succession, the assessee might have it contended against him in the future that he had lost the right of relief under section 25 (4). Any decision taken would not be altered in a subsequent year so as to deprive the assessee of any right under section 25 to which the decision had entitled him.

7. *Interpretation of the Income-tax Act.*—Mr. Sheehy stated in answer to a question that any assurance given by the Government representative on the floor of the House during debates on tax legislation was in fact implemented and would continue to be so.

8. *Section* 18 (3E).—In grossing up under section 18 (3E) a dividend with the amount of tax payable by the company in respect thereof, the contention of the Income-tax Officer apparently was that the tax to be grossed was the tax at the rate applicable to the company under the schedule rates and not the actual net tax payable by the company, that is, the net effective rate.

Mr. Sheehy said he did not agree with the view put forward but that he would look into the question again.

9. *Appeals under Section* 24 (2).—On the point that the Act did not contain any provision for the limitation of an appeal from an order under section 24 (2), Mr. Sheehy stated he would look into this.

10. *Section* 33.—As regards section 33 Mr. Sheehy stated that Government would not move to have the Commissioner's powers of review reinstated after so short a time since the passing of the Income-tax (Amendment) Act.

11. *Delays in Assessments.*—The attention of Mr. Sheehy was drawn to the fact that complaints had been received in regard to the considerable delay that was taking place in assessments and also to the manner in which

requisitions were made from assessees and the consequent heavy and incessant calls on the time of business people resulting in serious inconvenience and harassment. Mr. Sheehy promised to look into the matter.

EXCESS PROFITS TAX.

1. *Choice of Standard Period.*—In the form of return, the option had to be exercised at the time of the submission of the return but—

(*a*) In some cases, two or more options gave approximately the same result, so that, if the Excess Profits Tax Officer differed from the assessee and reduced the standard profits computed by him, another standard period might become more favourable. It was considered that the assessee should be allowed to change the standard period, so that in the end, he was given the benefit of the most favourable period.

(*b*) In at least one case, there was a difference of opinion on an important point of law, as to the liability of certain profits to Excess Profits Tax and other cases might arise where differing interpretations of the law might produce widely differing results in the computation of standard profits. In the case referred to, it was a very material factor, in the exercise of the option under section 6 (2), which view of the law was correct, and the matter might have to be taken to the Courts. At present, the assessee was in the position of having to guess correctly what the final decision would be.

Mr. Ayers said that there should be considerable tolerance on both sides if the difficulties inherent in the administration of the Act were to be reduced to a minimum. It should be a matter for friendly discussion and co-operation between the assessee and the Excess Profits Tax Officer. The assessee had of course the right to alter his choice of a standard period and to submit an amended return at any time before the assessment was concluded but he recommended that, in forwarding his return, the assessee should advise the Excess Profits Tax Officer that

his choice of a standard period and the return of income to be taxed then made were provisional only. If any appellate authority, including any court, should put an interpretation upon any question of law arising out of the assessment at variance with the interpretation put upon it by the assessee himself the assessee should be allowed to revise his choice of a standard period. In such a case even if the High Court were to decide a question of law so as to render the assessee's choice of a standard period unfavourable to him he (Mr. Ayers) would so arrange it that the Commissioner would treat the case as one in which a mistake apparent from the record had been made and would pass orders accordingly so as to enable the assessee to have the benefit of his alternative and more favourable standard period.

2. *Allowance of United Kingdom Excess Profits Tax under Section 12 (2) of the Excess Profits Tax Act.*—Several income-tax assessments were made for 1940-41 before the amendment of section 12 (2) of the Excess Profits Tax Act. Thus no reservation was possible in respect of the non-deduction of the United Kingdom excess profits tax when income-tax assessments were finalised, nor was there any reason for paying tax on account and leaving the assessment open. All information from the United Kingdom was to the effect that very little progress had yet been made with excess profits tax assessments. It was suggested that past assessments be re-opened when the figures were received from the United Kingdom and that for the future, payments be made on account, preferably after deducting an approximate computation of irrecoverable United Kingdom excess profits tax and the income-tax assessments left open until the final figures were received from the United Kingdom.

Mr. Ayers stated that in view of the reciprocal nature of double assessment relief, it must follow that the assessee would be left to pay only the higher rate in the two countries. Income-tax Officers were being instructed to allow the British Indian excess profits tax as a provisional deduction

when assessing income-tax. The matter would be re-opened when the United Kingdom figures were received.

With regard to assessments that had been already finalised, for instance, assessments for 1940-41 made before the passing of the Excess Profits Tax (Amendment) Act, 1940, these must be re-opened when the United Kingdom figures were available.

Mr. Ayers stated that the Central Board of Revenue had appointed a representative in the United Kingdom to settle double taxation relief with the Board of Inland Revenue and where there were head offices in the United Kingdom it would be a three-cornered agreement settled in England that would be finally adopted by all parties.

3. *Borrowed Money : Section I, Rule* 5.—(*a*) Attention was drawn to the alteration made by the United Kingdom Finance Act, 1941, whereby all increase in borrowed money was treated as capital, likewise all borrowed money where the standard percentage was adopted as the standard profits.

It was suggested that the same concession be given in India and for the same reason.

Mr. Ayers stated that the point had been noted but it was one that concerned the Finance Member rather than the Central Board of Revenue.

(*b*) It was pointed out further that this rule took into consideration the cases in which business had been expanded on capital borrowed from a bank or on debentures and that the amount of such loan or debentures was not to be deducted in arriving at the amount of capital employed in the business. A distinction was thus apparently sought to be drawn between capital borrowed from a Bank and capital raised by means of deposits or loans from firms and private individuals.

This it was suggested was unsound and countered the widely adopted practice of raising finance in this country.

Mr. Ayers stated that Mr. Sheehy and he were present to dispose of the administrative difficulties and could not deal with points which required an amendment of the Act.

VISIT TO THE CHAMBER OF MR. J. H. F. RAPER.

MR. J. H. F. RAPER, Member, Transportation, Railway Board, visited the Chamber on the 15th October 1941 and had an informal discussion with the Committee on the following subjects :—

(1) The regulation of rail traffic in particular commodities according to the requirements of the trade.

(2) Quicker clearance of goods from sheds.

(3) Necessity for increased stacking accommodation in and near Bombay.

(4) Suggestion that Bombay should draw more of its supplies of coal from the Central Provinces and Nizam's Territory than from Bengal.

(5) Suggestion that the railways might arrange for delivery of goods to consignees.

(6) Unnecessary raising of rates by Railways and consequent adverse reaction on public co-operation with Railways.

VISIT TO THE CHAMBER OF MR. R. R. SAXENA.

MR. R. R. SAXENA, Indian Trade Commissioner-designate to Australia, visited the Chamber on the 10th January 1941 and had an informal discussion with members of the Chamber on the following subjects :—

(*a*) Shipping freights between Bombay and Australia.

(*b*) The necessity of developing the merchanting of textiles either in India or in Australia.

(*c*) The necessity of goods being up to sample.

(*d*) The desirability of reducing the Australian duty on made-up goods, such as knitted garments.

(*e*) The possibility of exporting manganese ore to Australia.

(*f*) The possibility of exporting vegetable oil to Australia.

In conclusion the Trade Commissioner stated that his main duties would be as follows :—

1. The advertisement of Indian goods.
2. To aid in the settlement of claims.
3. To provide trade introductions.

VISIT TO THE CHAMBER OF MR. M. H. ISMAIL.

MR. M. H. ISMAIL, the Indian Government Trade Commissioner for East Africa, visited the Chamber on the 20th February 1941 and discussed informally with members the possibility of increasing trade between India and East Africa.

ASSOCIATED CHAMBERS OF COMMERCE OF INDIA.

ANNUAL MEETING, 1941.

The annual meeting of the Associated Chambers of Commerce of India was held at the Royal Exchange, Calcutta, on Monday, 15th December 1941. The meeting was opened by His Excellency the Right Honourable the Marquess of Linlithgow, P.C., K.T., G.M.S.I., G.M.I.E., O.B.E., D.L., T.D., Viceroy and Governor-General of India. This Chamber was represented by Mr. J. M. B. Gibbons, President of the Chamber.

The following is a list of subjects in connection with which resolutions were adopted unanimously by the meeting.

1. Indian Arbitration Act, 1940—Commercial litigation.
2. Allowance of professional taxes and royalties.
3. Depreciation—Obsolescence.
4. Proposed compulsory war risk insurance of immovable property.
5. Injury or damage caused by army drivers when on duty.
6. Amendment of Workmen's Compensation Act, 1923.
7. Postponement of the introduction of compulsory third party insurance.
8. Coal Transportation.

Of the above resolutions, No. 5 was moved by the Bombay Chamber.

CENTRAL ADVISORY COMMITTEE FOR LIGHTHOUSES.

Associated Chambers' Representatives.

In July 1941 the Associated Chambers of Commerce of India informed this Chamber that the Central Advisory Committee for Lighthouses, appointed in 1939 for a period of two years with effect from the 1st April 1939, had ceased to exist and a fresh Committee had to be reconstituted for a similar period from the 1st April 1941.

The Committee of the Chamber re-nominated Mr. G. S. Taunton to serve as one of the representatives of the Associated Chambers on the Central Advisory Committee. The Chamber was subsequently informed that the names of the following three gentlemen had been submitted by the Association for re-appointment as its representatives :—

Mr. A. K. G. Hogg	.. ..	Calcutta.
Mr. G. S. Taunton	.. ..	Bombay.
Mr. C. D. Priestly	.. ..	Madras.

IMPERIAL COUNCIL OF AGRICULTURAL RESEARCH.

Associated Chambers' Representative.

The term of office of Mr. R. Scherer, the representative of the Associated Chambers of Commerce of India on the Governing Body of the Imperial Council of Agricultural Research, expired in May 1941. Mr. Scherer was re-nominated by this Chamber and was duly elected by the Associated Chambers to serve for a further period of three years.

DEATH OF Mr. L. C. BUSS.

On receipt of intimation of the sudden decease of Mr. L. C. Buss, Leader of the European Group in the Central Legislature on the 19th November 1941, the

Committee forwarded to the Secretary of the Group an expression of their deep regret and requested him to convey their condolences to Mrs. Buss and other members of the family of Mr. Buss.

THE WAR.

(*See Reports* 1939, *page* 17 ; 1940, *page* 15.)

The following are some of the more important subjects affecting commerce which came under the consideration of the Committee of the Chamber during the year under review as the outcome of the War between the British Empire and Germany, Italy and Japan.

War Risk (Goods) Insurance Ordinance, 1940.

Advisory Committee.

(*See Report* 1940, *page* 22.)

It was announced in Simla on the 16th May 1941 that with a view to ensuring the smooth working of the War Risks (Goods) Insurance, Ordinance, 1940, the Government of India had decided to appoint an Advisory Committee representative of the prescribed insurance associations in India, which might be consulted from time to time with regard to :—

(1) The most suitable manner of giving effect to the provisions of the War Risks (Goods) Insurance Ordinance and the rules made thereunder ;

(2) Proposals for amendments of the Ordinance ;

(3) Amendments, if any, required to the rules and forms or schedules prescribed under the rules, and also notifications, and

(4) Any other matter connected with the Ordinance which might be referred to the Committee by the Government of India.

The Committee was constituted as follows :—Mr. V. Corbett Wright, Mr. T. C. F. Buser, Mr. T. K. Desai, Mr. N. Lishman, Mr. J. C. Setalvad and Mr. J. W. T. Leith, M.C., C.A. (*Secretary*).

The Secretary to the Government of India, Department of Commerce, or an officer deputed by him would attend the meetings of the Committee, if that was considered

necessary by the Government of India. The Commerce Secretary would preside over the meetings and in his absence Mr. V. Corbett Wright would act as Chairman. In the absence of both, the Committee would elect its own Chairman for the meeting.

WAR RISK (GOODS) INSURANCE ORDINANCE, 1940.

DECLARATION POLICIES.

In August 1941, the Punjab Chamber of Commerce suggested to the Associated Chambers of Commerce of India that a representation might be made to the Government of India pointing out the need for making provision for the issue of Declaration Policies under the War Risks (Goods) Insurance Ordinance, 1940, at least to manufacturing concerns, as such policies, if introduced, would meet the convenience of many business firms.

The Committee supported the proposal of the Punjab Chamber.

Early in December 1941 the Associated Chambers stated that the majority of the constituent Chambers who favoured the proposal did so on the grounds of the convenience of the system to large business interests, especially manufacturing concerns. The others, representing a substantial minority, pointed out that the question was fully discussed in August 1940, when the ordinance was under consideration, and that it was then decided by Government that declaration policies could not be permitted as they were in Great Britain. The principal reasons for this decision were (*a*) that the rate of premium in India was much lower than in England and that little hardship would be caused by withholding the facility as all policies under the Indian scheme were renewable quarterly and could, therefore, be adjusted in value at quarterly intervals; (*b*) that it was impossible under a Government scheme to differentiate between large and small concerns and that if declaration policies were allowed for big business interests they would also have to be made available to the smallest insured which would give rise to an impracticable position

for Government agents under the scheme, leading to a great increase in work, to higher administrative costs and probably also to evasion of the scheme.

The President thought that these considerations should be brought to the notice of the constituent Chambers before a final decision was reached on the proposal, and in asking for the further views of members he stated that he would be guided in the matter by the majority view expressed in the replies he received.

The Committee in reply stated that the objections cited above and especially those under sub-clause (*b*) had been considered by them and they were of opinion that these objections were so serious as to make it unlikely that Government would accept the proposal. Nevertheless, on account of the benefit to the insured, the Committee felt that it might be worth approaching Government if the Associated Chambers were prepared to do so. The Committee still held this opinion.

WAR RISK (GOODS) INSURANCE ORDINANCE, 1940.

SETTLEMENT OF CLAIMS—REPLACEMENT VALUES.

In September 1941 in replying to an inquiry by the Chamber as to the basis on which claims would be settled under the War Risk (Goods) Insurance Ordinance, the Advisory Committee on the Ordinance informed the Chamber that there would be little difference in the principles involved between the settlement of a claim under a Government War Risks Policy and an ordinary Fire Policy.

The policy undertook to pay to the insured the value of the property at the time of its destruction or the amount of the damage and, as in the case of ordinary fire insurance, Government had the option of reinstating or replacing. The contract, therefore, was one of indemnity and no trading profit may be included. A retailer, therefore, would base his claim on the wholesale market value at the time of the loss not on the prices he would have secured from the public.

The Chamber also inquired whether the amount for which commodities should be insured at any time was the sum which it cost at that time to replace, always taking into account the effect of depreciation in value which might have arisen due to age, obsolescence, the effect of price control order, deterioration, etc.

The Advisory Committee replied that the above statement was substantially correct, but it should be borne in mind that in the event of appreciation taking place additional cover would have to be effected and any loss would be settled accordingly on prices at the time it occurred.

The Advisory Committee added that a further point was that these contracts were also subject to average in the same way as fire policies.

War Risk (Goods) Insurance Ordinance, 1940.

Increase of Premium—Evasion.

On the 21st March, 1941, the Chamber conjointly with the Bombay Millowners' Association, the Indian Merchants' Chamber, the East India Cotton Association Ltd., and the Indian Central Cotton Committee, despatched the following telegram to the Commerce Department of the Government of India :—

"Government decision to increase land war risk insurance premium causing much concern. In absence any explanation trade is left to guess at underlying reasons. In view of there being no claims hitherto, inference is that Government either regards war risk in India as much more serious now than formerly or is taking opportunity of increasing general revenues. In either case Government's announcement is instance of Government's complete failure to realise importance of taking community affected into its confidence before reaching decision. In second case unless and until Government convinces commercial community that it is incurring substantially greater expenditure on the scheme than was originally estimated Government exposes itself to a charge of breach of faith."

The Government of India in reply stated that they did not consider it in the public interest to make a full statement as to the reasons underlying the increase in

premium rate, though they had clarified certain points in relation thereto in their Press *communique* of the 14th April 1941. In the Press *communique* the Government of India had stated that they wished to make it clear that the revised rate of premium was arrived at after very careful consideration and with due regard to the risks that had to be covered under the scheme and, in particular, that there was no foundation for the suggestion that they were allowing the scheme to develop into a form of taxation for the benefit of general revenues.

In April 1941 the Bengal Chamber of Commerce addressed the Department of Commerce of the Government of India in connection with the increase in the rate of premium for the insurance of commodities against war risk under the above scheme from one-thirty-second per cent. (half anna in the rupee) per month or part of a month to one-sixteenth per cent. or one anna in the rupee, from the 1st April 1941. The Bengal Chamber pointed out that widespread evasion of the scheme must be taking place and that if, as was intended, the burden of building up the fund was to be evenly distributed while the imminence of enemy action was not immediate, the first essential was to tighten up the administration of the scheme, whether through the Inspectorate or otherwise, to such an extent as would afford a reasonable assurance that all goods which were compulsorily insurable under the scheme were in fact insured. The Bengal Chamber commended this aspect of the existing position to the very early attention of Government and expressed the hope that whatever other measures were taken, the Inspectorate—which appeared to be wholly inadequate for the purpose—would be directed to increase its activities immediately with a view to the detection of evasion and the taking of summary and exemplary action in selected suitable instances. This preliminary course, it was thought, might have the desired effect if rigorously pursued throughout India with the help of a more adequate and thoroughly reliable Inspectorate. The system of inspection, however, was unlikely to

achieve full effectiveness unless it was directed against the background of a carefully worked out statistical analysis which took into account the average annual production, turnover, movements, import, export and average values of the more important insurable commodities with which could be compared the aggregate values of the insurances effected under the scheme within the appropriate commodity headings. The Bengal Chamber inquired whether any such scheme of general check had been inaugurated or what other measures the Government of India proposed to take in order to ensure that evasion of the scheme was reduced to a minimum.

The Government of India in reply informed the Bengal Chamber that they had consulted the Advisory Committee, War Risks Insurance, on the points raised and that the opinion of that Committee was that so far as could be ascertained there was no widespread or general evasion of the War Risks (Goods) Insurance Ordinance and that the insurance so far effected appeared to represent the bulk of insurable commodities.

This being so, the Government of India did not propose, for the time being at any rate, to make any radical change in the existing Inspectorate or to institute a vigorous system of inspection on the lines advocated by the Bengal Chamber. They recognised, however, that the existing Inspectorate did require strengthening in some provinces, and were taking steps to give the Special Officers, War Risks Insurance, in those Provinces the assistance of whole-time Inspectors. This was being done as an experimental measure in the first instance.

The Government of India had also sanctioned a number of prosecutions for evasion of the Ordinance. They were also contemplating certain amendments in the Ordinance which would give the Special Officers powers to call for information without entry into premises, and it was considered that such a provision if finally decided upon would considerably strengthen the position of the Special Officers.

The Bengal Chamber were requested, therefore, to rest assured that, whilst the Government of India did not think it necessary to follow their suggestions in full, they were nevertheless fully alive to the importance of preventing evasion of the compulsory provisions of the Ordinance. In particular they felt that there was no occasion to suppose that the premium rate had been fixed and remained at the existing level owing to insurance being avoided by a large proportion of stockholders at the expense of others.

In December 1941 the rate of premium was raised to two annas per month or part of a month for each complete sum of one hundred rupees.

On the 20th December 1941 the Department of Commerce of the Government of India issued a Notification in pursuance of sub-section (4) of section 9 of the War Risks (Goods) Insurance Ordinance giving details of all the sums received into and paid out of the War Risks (Goods) Insurance Fund during the year ended 30th September 1941.

The total receipts amounted to Rs. 1,05,40,088-7-1 and the expenditure to Rs. 86,020-7-3.

WAR RISK (GOODS) INSURANCE ORDINANCE, 1940.

INSURANCE BY COMMISSION AGENTS.

In June 1941 the East India Cotton Association Ltd. addressed the Advisory Committee, War Risk (Goods) Insurance Ordinance, 1940, urging that the law should be amended so as to permit commission agents to insure their interests in cotton against which they had advanced. As the law stood such commission agents could not insure unless the legal owner of the cotton was a person who did not carry on business in British India as a seller of goods.

Another point in regard to which the Association considered that the Ordinance was defective and required amendment, was that it did not permit insurance by an unpaid seller with a lien.

The Committee of the Chamber expressed their entire accord with the above suggestions.

On the 20th December 1941 the Government of India published an amending Ordinance (XII of 1941) which, *inter alia*, permitted the extension of the War Risk (Goods) Insurance Scheme, to the undertaking by the Central Government, in relation to a person carrying on business as a seller, of the liability of insuring such a person against war risk in respect of goods insurable under the Ordinance which were not owned by him but in which he had an interest arising in the course of that business. The amendment made in the Ordinance which gave effect to the above read as follows :—

4. In section 5 of the said Ordinance—

(a) after sub-section (1) the following sub-section shall be inserted, namely :—

(1A) The War Risks (Goods) Insurance Scheme may also extend—

(*a*) to the undertaking by the Central Government, in relation to any person carrying on business in British India as a seller of goods, of the liability of insuring such a person against war risks in respect of goods insurable under this Ordinance which are not owned by him but in which he has an interest arising in the course of that business ;

(*b*) without prejudice to the provisions of clause (*a*), to the undertaking by the Central Government, in relation to a person carrying on any business in British India, of the liability of insuring such a person against war risks in respect of—

(i) any goods situated in British India which are in his possession, otherwise than under a hire purchase agreement, for the purposes of that business,

(ii) any goods situated in British India which are subject to a mortgage in his favour held by him in the course of that business,

being in either case goods which are not owned by him but which are insurable under this Ordinance in relation to the person by whom they are owned" ;

(b) sub-section (4) shall be omitted.

WAR RISK (GOODS) INSURANCE ORDINANCE, 1940.

COVER BETWEEN SHIP AND WAREHOUSE.

In January 1941 certain members informed the Committee that their attention had been called by the agents of a steamship company in Bombay to the fact that the War Risk (Goods) Insurance Ordinance, 1940, did not cover the time when the goods were between the ship and the

shore and that the Lines would not entertain claims for any loss which might be caused by enemy or other action whilst the goods were being transported from the ship to the shore. The members were advised by the Committee to ensure that the war risk policy attached to the marine policy included a clause covering the goods up to the warehouse.

It was, however, subsequently brought to the notice of the Committee that under the world-wide War Risk Water-borne Agreement insurance companies were precluded from affording war risk protection in terms other than the Institute War Risk Clauses which provided that that risk should cease upon goods being discharged overside from an overseas vessel at the final port of discharge.

In addressing the Government of India on the question, the Committee stated that it was understood that Government had laid down that goods discharged into lighters at a port must be considered as being sea-borne in a port, and were therefore not "situated in British India" within the meaning of section 2(*g*) of the Ordinance. Accordingly, whilst the goods remained in the lighters they were not insurable under the Ordinance.

From the above it would appear that insurance cover between the ship and warehouse was unobtainable at the moment from any source, and it was essential that this should be remedied. The Committee therefore urged Government to amend the Ordinance at a very early date, to cover goods between the ship and shore.

In this connection the Committee pointed out that under section 4 of the Ordinance, insurance was compulsory from the time the property in the goods was vested in the insured. A large part of the import trade was on c.i.f. terms and the transfer of ownership was effected by delivery of shipping documents, some time before the arrival of the carrying ship.

In May 1941 the Government of India, in drawing the attention of the Associated Chambers of Commerce of

India to the position as described above, stated that they had under consideration a proposal to amend sub-section 2(*g*) of the Ordinance so as to render all goods within the limits of Customs ports, except such as had been discharged from, or had been loaded on ocean-going vessels " situated in British India " within the meaning of that sub-section.

The Associated Chambers in replying to the Government of India stated that they strongly supported the above suggestion. There were, however, two connected points which the Chambers thought should be taken into consideration when the amendment was being framed by the Government of India. The first related to the position of goods being lightered from ship to shore outside the port limits of Customs ports, for instance on the tidal portion of a navigable river. Though such cases might be unusual, they were not unknown and the need for rendering them insurable under the scheme during the period of transit from ship to shore was just as great as in the case of goods being lightered within the port limits. Secondly, the proposed amendment did not meet the case of goods which remained on an overseas vessel for more than fifteen days after the vessel arrived at the final port of discharge : the position here being that the normal marine war risks cover ceased (*a*) after discharge overside at the final port of discharge or (*b*) after the expiry of fifteen days from the day on which the overseas vessel arrived at the final port of discharge, " whichever shall first occur." Cases in which discharge overside took place more than fifteen days after the arrival of the ocean vessel in port were likely to be few. But it seemed to the Chambers that as the Ordinance was to be amended to bridge the gap between the commencement and termination of the ordinary marine war risks cover and the commencement and termination of the War Risks (Goods) Insurance Scheme cover, the opportunity should be taken of providing for this eventually. What was desired was that cover under the latter scheme should be available for insurable goods from the point of time at which the marine war rise insurance terminated.

By an amending Ordinance issued in December 1941, clause (*g*) of section 2 of the Ordinance was deleted. This clause restricted the application of the Ordinance to goods situated on land or borne on inland waters in British India and expressly excluded goods seaborne in ports or in maritime territorial waters.

War Risk Insurance.

Immovable Property.

During the visit of the Commerce Member to Bombay in July 1940 when the question of war risk insurance was discussed, the desirability of extending the scope of the existing legislation to cover industrial properties and machinery was also touched on. In a Government *communique* dated the 26th August 1940 it was stated that it was not considered that an insurance scheme was a suitable manner for dealing with possible damage to immovable property resulting from war risk and as an alternative the procedure that had been adopted in the United Kingdom was receiving examination.

In June 1941, in replying to a reference from the Associated Chambers of Commerce of India on the subject, the Committee stated that they would welcome a scheme of war risk insurance for industrial and commercial plant and buildings provided the premiums were reasonable but they were doubtful of the feasibility of extending such insurance to include private buildings.

The Associated Chambers of Commerce of India subsequently addressed the Department of Commerce of the Government of India on the desirability under existing conditions of the formulation of a Government scheme for the compulsory insurance of immovable property against war risks on the lines of the War Damage Act in the United Kingdom. The Associated Chambers stated that the great majority of the commercial and industrial interests represented by the Association were in favour of the principle involved and the hope was expressed that the Government

of India would take the matter up at an early date to the extent of preparing such a scheme for general circulation and opinion. It was pointed out that the adaptation of the United Kingdom Act to Indian conditions would call for special consideration of many points of detail which could only be examined on the basis of the skeleton scheme which the Government of India were requested to formulate. On points of detail and of practical procedure—such, for instance, as the treatment under the scheme of house property—the Association was not in a position to commit the individual Chambers and the interests they represented, but among the considerations which it could at this stage be suggested should be kept prominently in mind, in the light of experience under the War Risks (Goods) Insurance Scheme, were :—

(*a*) the need for a low initial rate of premium and for an indication of the proposed rate when the draft scheme was published ;

(*b*) ready means of enforcing the scheme in the case of all immovable property coming within its scope ;

(*c*) the inclusion under the scheme of fixed machinery and plant and—it had been suggested—launches, tugs and small craft not otherwise insurable against war risks ;

(*d*) adequate precautions against the possibility of the scheme being used, now or eventually, as a means of raising additional revenue.

The Associated Chambers expressed a hope that the Government of India would give this matter their early consideration.

At the annual meeting of the Association held at Calcutta on the 15th December 1941 the following resolution was moved by the Bengal Chamber and adopted unanimously :—

"This Association urges on the Government of India the desirability, under existing conditions, of the formulation for consideration of a Government scheme for the compulsory insurance of immovable property, including buildings and fixed plant and machinery."

Cargo on Enemy Vessels.

(*See Reports* 1939, *page* 36 ; 1940, *page* 33.)

In November 1940 the Main Committee of owners of cargo on enemy ships which sought shelter in neutral ports at the outbreak of war, issued the following report :—

With the lapse of a year since it was called into being by the General Meeting of Cargo-owners, the Committee feel that this is an appropriate moment to issue a statement to their constituents. During the year the Committee have met forty-eight times, and in addition, the Joint Committee, on which four members of the Main Committee sit, have met twenty-six times.

The task before the Committee was to endeavour to secure, on such terms as the Government would approve, the release of a large amount of British-owned cargo on board German vessels which had taken refuge at a number of neutral ports scattered throughout the world.

The London Chamber of Commerce was given a licence by the Government to negotiate for the release of these cargoes, and by subsequent amendments to the licence, the amount which it was permitted to pay to the German shipowners was limited to the following sums :

(*a*) where freight had not been paid, an amount not exceeding the full freight which but for the outbreak of war would have been payable on completion of the voyage, and

(*b*) in any case such other amount as the Chamber might deem necessary not exceeding 5 per cent. of the original c.i.f. invoice value of the cargo.

For the release of these cargoes, however, the Germans were demanding not only presentation of full sets of documents and payment of full freight, but also a contribution to refuge port expenses varying from 20 per cent. to 35 per cent. of the pre-war c.i.f. invoice value of the goods. With the sanction of the Government, negotiations were at once opened with the various steamship companies and a conference arranged at Rotterdam on 14th December 1939 which, in spite of the refusal of the German Government to allow the delegates to meet in personal conference, succeeded in getting the German demand for contribution reduced to the more reasonable figure of 5 per cent., although it was never possible to come to a definite arrangement on this basis as the shipowners kept putting forward various extraneous demands. It is possible that if the delegation had been in a position then to convince the Germans that they had the funds to fight the widespread legal actions in order to assert cargo-owners' rights, an

agreement for the German release of cargo might have been reached, for it became known subsequently that the Germans themselves were prepared to go to considerable lengths to avoid action in certain neutral Courts. It was not, however, until the beginning of February when, by reason of the restrictions imposed by the Licence given to the Chamber by the Board of Trade, it became apparent that no agreement would be reached, that the Committee decided that the most effective way to bring pressure to bear on the German shipowners was through the Courts in those countries where the law and legal procedure offered reasonable chances of successful action. By arrangement with representatives of the underwriters, a fighting fund of £50,000 was guaranteed to meet legal costs, and the General Meeting of Cargo-owners on the 21st February 1940 approved the Committee's proposals, which were thereupon put into operation by a special Joint Committee consisting of an equal number of representatives of the cargo-owners and underwriters.

Negotiations were well advanced for obtaining release of cargo from the German vessels which had sought refuge in Italian ports when, on the 15th March 1940, the Board of Trade urged the Committee to pursue a policy which the Committee believed to be both impracticable and not in the interests of cargo-owners, and during the next two months, whilst the position remained uncertain, the Committee's efforts to recover cargo were to some extent, hampered. By the time this uncertainty had been cleared up, towards the end of May, the international situation had deteriorated to such an extent that the Committee did not feel justified in recommending cargo-owners to deposit money in Italy for the purpose of securing the release of cargoes on board steamers which had taken refuge in Italian ports, in accordance with the arrangements which were then nearing completion and so, with the entry of Italy into the war against the Allies, the whole of the cargo in these ships, to the value of £1,153,577, was lost.

The following table gives the total cargo dealt with by the Committee, and the totals made available to cargo-owners, lost and outstanding:

	£	£
Total dealt with		2,380,446
Made available to cargo-owners ..	879,852	
Lost in Italy	1,153,577	
Outstanding:		
£		
Marmagoa 195,928		
In s.s. "Este" now *en route* to U. K. 41,161		
Other ports 109,928		
	347,017	
		2,380,446

In addition, there were further large quantities of cargo notified to the London Chamber of Commerce which were not dealt with by the Committee because the vessels carrying the cargoes were either scuttled or succeeded in returning to Germany. Of these, the number of vessels scuttled was 7, whilst 56 succeeded in returning to Germany.

Legal action is proceeding in respect of the Marmagoa cargo and it is hoped that eventually both this, and the cargo in the s.s. " Este " which is the subject of Prize proceedings in the Courts of Curacao, will be released. The balance, £109,928, is made up of small amounts of cargo in a number of ships in outlying ports, the size of the cargoes involved being such as hardly to warrant legal action. The Germans are still holding out in these cases for payment of refuge contributions amounting to 20 per cent. of the value of the cargo, and there is, therefore, a deadlock in the situation as far as these cargoes are concerned.

With regard to the cargoes which have been released, it is to be observed that the amount of refuge contribution which has been paid for their recovery in no case exceeded 5 per cent. of the pre-war c.i.f. invoice value, and in some cases was less.

With the invasion of Norway, Holland and Belgium by Germany, the entry into the war by Italy on the side of Germany, and the capitulation of France, the problem of dealing with British shipping claims against the enemy was considerably widened and the actual recovery of cargo became merely one of the various types of claims against enemy Shipowners which included, besides claims in respect of cargo :

(*a*) Claims for fuel supplied to enemy ships.

(*b*) Claims for the repayment of loans to enemy Steamship Lines secured by mortgages on ships of the Lines.

(*c*) Claims arising out of collisions between a British and an enemy ship.

(*d*) Claims for rebate of freight.

(*e*) Claims for disbursements made by Agents in Great Britain on behalf of enemy ships or shipping companies.

In view of this the Government felt that all these claims should be dealt with by a single Committee, and they accordingly set up the Enemy Shipping Claims Committee, whose functions have been fully explained in the Chamber's War Circular No. 31, issued on 22nd October, 1940, to which the attention of all Cargo-owners is once again drawn as the registration of all shipping claims of the kind specified in the relative Government order is compulsory.

In March 1941 at the request of the Committee of the Chamber Mr. J. D. Boyle, M.L.A., approached the Commerce Department of the Government of India for certain

information in connection with British cargo detained in German ships lying in Marmagoa Harbour.

In addressing the Government of India subsequently in the matter the Committee stated that during Mr. Boyle's conversation with Sir Alan Lloyd the following facts emerged :—

An agreement had been entered into, presumably without the prior knowledge of Government, by the M. and S. M. Railway in their capacity as Operating Agents for the Portuguese Railway and the Captains of German ships at present lying in Marmagoa Harbour for the storage of goods in the sheds at Marmagoa, and the terms of this agreement departed from the normal in so far as the payment of storage charges on a monthly basis was exempted.

The Committee presumed that if Government had had prior knowledge of such an agreement they would have been in a position to represent to the Portuguese Government the unneutral character of a concession which departed from the normal procedure and made it possible for British-owned goods to be held in lien by the Portuguese railway to cover debts due to that railway by German ships.

It furthermore appeared that arrangements were made by the Secretary of State for the release of certain particular goods on terms which could not be made applicable to general cargo.

The Committee stated that if these goods were in fact private and not Government property, they would be glad to be informed why this exception was authorised to the rule whereby all attempts to negotiate privately had been forbidden by Government.

Mr. Boyle was assured by Sir Alan Lloyd that Government would continue to exert pressure on the M. & S. M. Railway to make demands on the Captains of the German ships for payment in regard to storage charges, but the Committee suggested that such action on the part of Government could have little effect, since by prior agree-

ment without the knowledge of Government, the German Captains were in possession of an agreement which would enable them to resist successfully such pressure indefinitely.

The Committee added that if in Government's view there were State reasons of policy behind their decision to take no additional steps in the matter and private negotiation continued to be prohibited, a plain statement to this effect should be made by Government and all cargo owners should be informed that for national reasons their cargo had been lost.

The Government of India in reply informed the Chamber that progress in the recovery of British-owned cargoes on German ships in Marmagoa had been slow due to the extreme reluctance of the German captains to part with the cargoes in question, and due to their continually putting up unreasonable demands. It was, however, understood that judgment had been delivered recently in the test case instituted by the London Chamber of Commerce in the local court at Marmagoa, and it had been held that the cargo owner had a right to take delivery of his cargo. There was, however, the question of the payment of port-of-refuge charges, which it was understood would be taken up after the current law vacation (from the 1st April to 31st May) in the Marmagoa court.

Apart from this, the Government of India had already granted permission on certain conditions to a Calcutta firm to negotiate directly with the Captain of M. V. "Braunfels" for the release of their fully-paid for cargo. Although progress in this case also had been slow, it was hoped that the firm might be able to recover their cargo in the not distant future. If the Calcutta firm succeeded in obtaining the release of their cargo, Government would consider the question of granting permission to other cargo owners to negotiate on similar terms for the release of cargoes that were fully paid for before the commencement of hostilities.

INSURANCE CLAIMS IN RESPECT OF CARGOES ON GERMAN SHIPS AT THE OUTBREAK OF WAR.

In three test actions before the High Court in London relating to British cargoes in German ships at the outbreak of the war, the cargo owners claimed that their losses were covered by their insurance policies, but Lloyds Underwriters who defended the action contended that they were not liable because the losses were due to orders given by the German Government to scuttle the ships. The cases concerned the following German vessels :—

s.s. "*Minden*" : Scuttled off the Faroe Islands on the 29th September 1939 in the presence of a British warship ;

s.s. "*Wangoni*" : Turned back on a voyage and succeeded in reaching Hamburg on the 5th March, 1940 ;

s.s. "*Halle*" : Scuttled off Portuguese Guinea on the 16th October, 1939 in the presence of a French warship.

In each case the cargo was covered by a voyage policy for both war and marine risks, containing the frustration clause.

Judgment was given for the underwriters on the ground that by the operation of the so-called "frustration clause" they were not on the risk at the material time the cargo was lost. The matter was taken to the Appeal Court, who reversed this judgment and upheld the appeal of the cargo owners concerned declaring that underwriters were liable for constructive total loss. The cases were then taken to the House of Lords by the underwriters for final decision, but the appeal was dismissed. Members were duly informed of this decision and were advised to lodge their claims with the underwriters immediately.

A summary of the judgment of the House of Lords is reproduced in the Appendices.

INSURANCE OF GOODS SHIPPED ON NON-BRITISH STEAMERS.

(*See Report* 1940, *page* 21.)

It was recorded in the Chamber's Report for 1940 that the Committee had suggested to the Associated

Chambers of Commerce of India that a representation should be addressed to the London Chamber of Commerce in regard to the insurance of goods carried in non-British vessels. The Chamber was subsequently informed that the London Chamber and the Federation of Chambers of Commerce of the British Empire had been addressed requesting them to use their influence in (1) inducing British insurance companies to reverse their standpoint with regard to frustration risk (under sub-clause (*b*) of clause 2 of the Institute of Underwriters war clause) ; (2) that if, as appeared probable, progress in this direction was unlikely, at least until the case before the Courts was decided, immediate needs might best be met by asking insurance companies to accept the frustration risk at a premium to be arranged ; and (3) that if insurance companies were not willing to accept the risk, an approach should be made to His Majesty's Government to undertake it through the Government War Risks Offices as had already been done in the case of commodities on land.

The National General Export Merchants Group of the London Chamber of Commerce in reply informed the Associated Chambers that the matter had been taken up and as a result the following terms could be obtained through insurance brokers at Lloyds :—

" This insurance to cover all expenses incurred by reason of the operation of the War Risks Clause in Charter Party and/or Bill of Lading, involving discharge at a port or ports other than the destination herein stated.

The assured to be indemnified against all and every loss other than loss of time or loss of market from the time the interest is so discharged from the above steamer until it reaches its final destination, or is returned to the U. K. Excluding British Government prohibition whereby cargo is not permitted to be re-forwarded to destination.

In the event of claim, the underwriters to be notified immediately and underwriters to have the option of forwarding interest to destination or paying a total loss and disposing of interest for their own account. Excluding claims recoverable under marine and war policies.

" *J* (*a*) *Form.*

Value as per marine policy."

It was added that the insurances could be obtained for shipments on British or foreign vessels.

The Committee requested the Associated Chambers to address the London Chamber again with a view to clear up the point as to whether in the case of an enemy ship taking refuge in a neutral port and staying there for the duration of the war, this clause was intended to apply.

The President of the Associated Chambers considered, however, that points of detail regarding the extent of the cover available from Lloyds should be settled by interested parties with or through Lloyds' Agents or brokers direct and so far as tariff companies were concerned the whole question of frustration of voyage was the subject of a test case which it was hoped would clarify the issue.

In the view of the Committee this question, as expressed in their previous letter, raised no mere point of detail, but was in fact a question, a reply to which would clarify the point as to whether the insurance offered did, in fact, cover the risks which many might think it purported to cover. They accordingly inquired of a firm of insurance brokers at Lloyds, as to whether the frustration clause in the insurance policy that they were prepared to issue would apply to cases where an enemy ship took refuge in a neutral port and stayed there for the duration of the war without discharging its cargo.

In the meantime the House of Lords gave judgment against the underwriters in the three test cases brought before them to determine questions of liability of the underwriters towards cargo owners.

National Service for European British Subjects in India.

(*See Reports* 1939, *page* 24 ; 1940, *pages* 15, 255.)

The President of the Chamber called a meeting on Thursday, 24th July 1941, of the Managers of all member firms of the Chamber, Managers of member firms of the Bombay Presidency Trades Association and Managers of

other British firms in Bombay who employed European British subjects of non-Indian domicile. The purpose of the meeting was to discuss the Third Directive which the National Service Advisory Committee had received from the Government of India regarding the recruitment for national service of further man-power.

The President in opening the proceedings read a letter from His Excellency the Governor-General addressed to the Chairman of the National Service Advisory Committee wherein it was stated that the Directive received his full support. The President understood, however, that this Directive was based on inaccurate and out-of-date figures supplied by the Man-Power Section of the Home Department, Government of India, and a letter had been addressed by the National Service Advisory Committee pointing out the discrepancy in the figures and showing that Bombay had already produced or recommended for national service approximately 44 per cent. of the total man-power available. He added that Government had been requested to convene a meeting in the middle of August of representatives of all National Service Advisory Committees.

Various questions were then raised after which the meeting terminated.

It might be of interest to note that 1,194 individuals had been recruited for national service up to the 31st December 1941. This represented 54 per cent. of the available man-power coming within the jurisdiction of the Bombay National Service Advisory Committee.

NATIONAL SERVICE AND PROVIDENT FUND CONTRIBUTION.

(*See Report* 1940, *page* 93.)

Rule 11 of the Rules under the National Service (European British Subjects) Act, 1940, governing provident fund contributions, as first published read as follows :—

" Any person called up for service in a specified military or civilian capacity may be permitted by the competent authority to continue to subscribe to any Provident or Superannuation Fund or other scheme for the benefit of employees maintained or managed by his former

employer under the same terms and conditions as would be applicable if he had continued to be employed by that employer; and thereupon,

(*a*) the employer by whom he has been released for national service shall keep open his account and receive such subscriptions as would in accordance with the rules of such fund be payable from time to time if the subscriber were still in his employ; and

(*b*) the Government or other employer to whom the person has been assigned for national service shall from time to time make such contributions to the fund as would be payable by the former employer if the subscriber were still in his employ."

The Government of India received several representations in regard to this rule as it was considered difficult to justify asking the taxpayer to meet the cost of paying the employers' contributions to the provident funds of all those who had been called up for service under the National Service Act. At the same time it was agreed that, whatever provision was made for the payment by Government of the employees' contribution to the provident fund of persons called up for national service should apply to all those who were entitled to reinstatement under section 8 of the Act, i.e., all those who had been called up or accepted for national service since the beginning of the war.

After consulting representatives of the European community and giving the matter consideration, the Government of India decided to remove from Competent Authorities the discretion whereby they could enjoin upon Government or other employers the payment of contributions to the Provident Funds of Europeans called up under the National Service Act. In this respect Europeans would not be worse off than persons called up in the United Kingdom, where no such concession was granted. In the case of civilian employment it would still be open to the competent authority to fix under section 7B, of the Act such general terms of service as might be deemed fitting.

The amended Rule 11 read as follows :—

" Any person called up for service under section 7 of the act may be permitted by the competent authority to continue to subscribe to any Provident or Superannuation Fund or other scheme for the benefit of employees maintained or managed by his former employer; and, thereupon—

(*a*) the employer by whom he has been released for national service shall keep open his account and receive such subscriptions as the employee may subscribe; and

(*b*) for the purpose of calculating any withdrawals from the Provident Fund which the person called up may wish to make, his pay shall be deemed to be the pay which he was drawing immediately before he was called up."

On the 11th September 1941 a further revised Rule 11 was published under Home Department, Government of India, No. 253/M.P. This revised rule read as follows:—

"11. When any person is called up for service under section 7 of the Act—

(*a*) such person may, at his option, continue to subscribe to any provident or superannuation fund or other scheme for the benefit of employees maintained or managed by the employer employing him immediately before he was called up, at a rate applicable to him under the rules of such fund or scheme;

(*b*) the said employer shall continue to credit such person's account in the fund or scheme with interest on the amount in such account in accordance with the rules of the fund or scheme;

(*c*) such person may, if the rules of the fund or scheme so permit and in accordance with such rules, withdraw sums from the amount at his credit in the fund or scheme;

and for the purpose of calculating the amount of any contribution or withdrawal admissible, such person's salary shall be deemed to be the salary which he would have received had he not been called up."

Restrictions on Imports of Steel.

Orders against Confirmed Irrevocable Credit.

In February 1941 the Committee's attention was drawn to a letter dated 29th January 1941 addressed to the Steel Controller of India, Department of Supply, Calcutta, by the Calcutta Exchange Banks Association pointing out that the Controller had in a number of instances refused to allow consignments of steel from being imported into India although a confirmed irrevocable credit had been opened in favour of the exporting firm.

In addressing the Controller in the matter the Committee stated that they were aware of the restrictions on steel imports into India which were recently notified and they fully appreciated the need for conserving dollar

exchange which, they assumed, was the reason underlying them. The notification further provided that special import licences for goods ordered before the 1st January 1941 might be issued at the discretion of the Steel Controller.

The Committee agreed that some such provision was absolutely necessary because the commercial interests of the country demanded that merchants in the normal course when ordering goods should rely on the conditions prevailing at the time, and in the present instance the notification had virtually a retrospective effect.

The Committee was, therefore, concerned to hear that applications for special licences had been arbitrarily refused by the Steel Controller's Department in a number of cases where the conditions had been fulfilled.

The Committee urged that such applications should be given the greatest possible consideration and that in cases where credits were opened and the goods ordered before the 1st January 1941, they should not ordinarily be refused. A possible exception, however, might arise in cases where the amount of the order placed was entirely incomparable with previous business done by the firm in question.

The Steel Controller in reply stated that it had been decided that where irrevocable letters of credit had been opened by firms on orders placed prior to the 1st January 1941 the necessary import licence would be issued. Before this decision was made there were one or two cases of applications being refused, but the firms were at liberty to resubmit their applications with definite proof that credits had been opened when same would be dealt with on the above lines.

The Controller added that it would be appreciated that with the numerous applications submitted for approval there would be some little delay before they were all issued, but everything possible was being done to dispose of them. Where shipments had actually been made and the steamer was due to arrive these were being given priority.

Price Control.

(*See Report* 1940, *page* 41.)

In September 1941 the Government of India informed the Chamber that in view of the recent tendency for prices of various commodities to rise sharply they had decided to convene a Conference of the representatives of the Provincial Governments and certain Indian States at New Delhi on the 16th of October 1941, to discuss the advisability of adopting measures of price-control. In certain instances Provincial Governments had already taken action with regard to retail prices, but it was felt that in view of recent developments the problem of rising prices charged by manufacturers and wholesale dealers was becoming the one which attracted most attention, particularly in respect of food-grains, cotton yarn and piecegoods. It was therefore expected that in addition to a general discussion of the entire price situation, questions relating to the prices of food-grains, cotton yarns and cloth would figure prominently in the deliberations of the Conference. The Government of India therefore requested the views of the Chamber on the subject of the control of prices at the primary wholesale stage, generally and with special reference to the commodities mentioned.

The Committee in reply informed the Government of India that they approved, in principle, the general control of prices in so far as such control affected food-grains. They were unable, however, to put forward at the moment any constructive proposals which would help Government to attain the object in view. In regard to the proposed control of the prices of textiles, the Committee strongly supported the request of the Bombay Millowners' Association that representatives of the Indian cotton mill industry should be invited to the Conference on the 16th October.

Representatives of industrial bodies were invited to meet the Conference at its second day's sitting.

Rationing of Petrol.

Following on a conference of representatives of the Central and Provincial Governments and of Indian States held on the 20th January 1941, a Motor Spirit Rationing Order was issued on the 1st August 1941, under which a scheme was brought into force from the 15th August 1941 whereby motor spirit required for vehicles could be furnished or acquired only against the surrender to a supplier at the time of supply of valid coupons and only in accordance with any conditions or instructions appearing on or attached to such coupons.

The following schedule was appended to the Order laying down the standard to which the Area Rationing Authorities should have regard in deciding in respect of any vehicle for the time being within its jurisdictional area, the amount of motor spirit for which coupons were to be granted.

Class of vehicles.	Standard.
	A.
1. Vehicles not covered by clause 3 which are employed by the Central or a Provincial Government for any administrative purpose other than public transport.	The minimum requirements as stated by the authority responsible to the Government concerned for the operation of the vehicle.
2. (*a*) Vehicles employed by local authorities for any administrative purpose other than public transport. (*b*) Vehicles used as ambulances, travelling dispensaries, or school buses.	The minimum required for the maintenance of essential services as estimated by the Area Rationing Authority, after summary inquiry, and after consideration of— (*a*) the consumption of motor spirit in normal circumstances of the vehicle, (*b*) the possibility of reverting to animal-drawn transport, (*c*) the possibility of effecting economy of consumption by a rearrangement of routes, and (*d*) any other factor the Area Rationing Authority deems relevant.

Class of vehicles.	Standard.
3. Transport vehicles and motor boats used for public transport.	The minimum, in relation to the required reduction of total consumption, estimated by the Rationing Authority to be necessary to enable the transport vehicle or motor boat to satisfy local needs, with regard to local conditions and to the existing and potential capacity of rail-borne, water-borne and other transport facilities.
4. Motor vehicle in the possession of a dealer or distributor, the use of which is authorised by trade or general numbers issued in accordance with rules made under clause (K) of section 41 (2) of the Motor Vehicles Act, 1939.	The minimum requirements of the dealer or distributor as estimated by the Area Rationing Authority, subject to a limit of 10 units per month for each trade or general number issued to him.
5. Vehicles not included in items 1, 2, 3 and 4.	Where the horse-power (as entered in the certificate of registration in the case of a motor vehicle or as stated in the manufacturer's specification in the case of a motor boat)—
	Does not exceed 3 h.p. .. Units per month. 2
	Exceeds 3 h.p., but does not exceed 4 h.p. .. 3
	Exceeds 4 h.p., but does not exceed 7 h.p. .. 5
	Exceeds 7 h.p., but does not exceed 9 h.p. .. 6
	Exceeds 9 h.p., but does not exceed 12 h.p. .. 8
	Exceeds 12 h.p., but does not exceed 15 h.p. .. 9
	Exceeds 15 h.p., but does not exceed 19 h.p. .. 10
	Exceeds 19 h.p. .. 12
All vehicles in respect of which supplementary coupons are required.	*B.* The minimum requirements in each case as determined by the Area Rationing Authority.

The unit per coupon was at first fixed at one gallon but from 1st January 1942 the unit was reduced to half a gallon.

The Ministry of Supply Mission.

The Ministry of Supply in England in 1940 appointed a mission under the chairmanship of Sir Alexander Roger for the purpose of examining existing factory capacity in India and seeing how far this could be made available for the production of war supplies. It had also to consider the possibility of expansion in relation to the existing and potential output of the other Empire countries in the Eastern Hemisphere.

The Mission arrived in India early in September 1940 and visited various industrial centres. In March 1941 the Committee of this Chamber, in replying to a suggestion of the Bengal Chamber that the Mission should remain in India until full production was achieved, suggested that it might be ascertained whether the Mission was itself satisfied that it should properly depart at once, its task being completed so far as its presence was necessitated in India. The Committee also suggested that His Excellency the Viceroy might be approached with a view to ensure that effect might be given to the opinion of the Mission if it was to remain but that in any case certain experts attached to the Mission should be retained.

The Mission, however, left India towards the end of March 1941.

The Supply Department.

At the annual meeting of the Associated Chambers of Commerce of India held at Calcutta in December 1940, a resolution in the following terms was carried unanimously :

" The Associated Chambers wish that in the granting of contracts by the Supply Department the interests of small established and reliable concerns should not be overlooked."

The terms of the resolution and the report of the discussion which preceded its adoption were duly communicated to the Government of India, Department of Supply, who replied to the effect that consistent with the

war supply requirements, the interests of small industrial concerns had been and would continue to be borne in mind at the time of placing contracts.

Air Raid Precautions.

(*See Report* 1939, *page* 47.)

It was recorded in the report for 1939 that the Chamber had taken over the organisation of the Air Raid Precautionary measures in the Malabar and Cumballa Hill Districts and that Mr. Neville N. Wadia had been nominated by the Chamber to act as Divisional Warden for these districts. Following on Mr. Wadia's nomination, the Secretary of the Chamber, Mr. C. H. Courthope-Munroe, was appointed a Group Warden and fortnightly meetings of the Wardens of his Group were held in the rooms of the Chamber during the year under review.

Proposed Advancing of Clocks.

In August 1941 the Government of Bombay asked for the views of the Chamber on a suggestion of the Government of Bengal that, for the duration of the war, Indian Standard Time should be advanced by one hour, i.e., from 5½ hours to 6½ hours ahead of Greenwich Mean Time throughout India. The object of this suggestion was to adjust normal business hours so that it would not be necessary to rely during the winter months on the blacking out of lights in commercial offices and the great bulk of office workers might get home before nightfall, thus obviating traffic difficulties which were anticipated if large numbers of office workers had to be transported after nightfall through streets in which lamps had been shaded in accordance with Air Raid Precaution Instructions.

The Committee informed the Government of Bombay that they were opposed to the suggestion. They considered that the advancement of clocks would not be acceptable to clerical staffs of firms though they might get used to it. On the other hand, engineering and dock labourers started

work at 7-30 a.m. and 8 a.m. respectively, and the proposal would entail the men getting their morning meal and coming to work in the dark. Bombay time, as at present, gave the maximum daylight working hours during the cold weather. The effect of such a change in Bombay would, in the opinion of the Committee, give rise to more trouble than it would be worth in practice; they therefore favoured the *status quo*.

Injury or Damage caused by Army Drivers when on Duty.

In September 1941 the Bombay Accident Insurance Association inquired whether the Chamber was prepared to take up with the Government of India the question of compensation for injury or damage caused by army drivers on duty. The attitude of the military authorities in India appeared to be that because no legal responsibility could rest on the Crown, they were not prepared to pay any compensation for damage (or, presumably, personal injury) caused by an army driver. In England, it appeared that although a member of the public injured by the negligent driving of a service vehicle had the right to sue the driver of the vehicle and to obtain judgment against him for damages which he had suffered, he had no right of action against the Crown, as, in law, the Crown was not liable for the torts of its servants. If, however, the driver of the service vehicle was on duty at the time of the accident, it was and had been for many years, the invariable practice of all Government departments to provide the funds required to satisfy any judgment obtained against the driver. The injured person was thus enabled to recover in full the compensation to which he was entitled in respect of the injuries which he had suffered. A person injured by the negligence of the driver of a service vehicle was, therefore, in no worse position than if the injury were caused by a non-official person, and might be in a better position by reason of the fact that the financial resources of the State were made available to meet his claim.

As the Committee considered that this was a case for representation to the Government of India they suggested that it should be made by the Associated Chambers of Commerce of India on behalf of the constituent Chambers. At the annual meeting of the Association held at Calcutta on the 15th December 1941, the following resolution was accordingly moved by the Bombay Chamber, seconded by the Bengal Chamber and adopted unanimously:—

"This Association urges upon the Government of India the necessity for introducing adequate measures to enable the public to recover compensation from the military authorities when accidents are caused by the negligent or improper driving of military drivers in the course of their duty."

SILVER COINAGE—THE DEBASED RUPEE.

(*See Report* 1940, *page* 44.)

Under the Indian Coinage (Third Amendment) Ordinance, 1940, it was provided that the standard fineness of silver coins shall be one half fine silver and one half alloy. In addressing the Associated Chambers of Commerce of India on the subject the Upper India Chamber pointed out that the Government of India, so far as it was aware, had given no indication as to whether the reduction in the silver content was purely a war measure to be limited to the duration of the war only or whether it was intended as a permanent measure. The Upper India Chamber further stated that the rupee had, for centuries, represented India's standard of value and formed a pivot round which the whole economy of the country revolved and it was accordingly its opinion that the Government of India should be asked to state clearly that the reduction in the silver content of silver coins in use in this country was only a temporary war measure and that the accepted standard rupee of 11/12th fine silver and 1/12th alloy (the other silver coins to be of proportionate fineness) would again be brought into circulation, and the debased coins withdrawn from circulation, when hostilities ceased, or as soon as expedient thereafter.

In the opinion of the Upper India Chamber of Commerce there was a distinct relationship between prices and the currency of a country and it was, therefore, necessary to consider whether the reduction of the silver content of the rupee, and other silver coins, would not, in time, affect their purchasing power.

After consulting the Finance Sub-Committee the Committee informed the Associated Chambers of Commerce of India that in their opinion the fears of the Upper India Chamber were unfounded. The silver rupee was already a token coin. The reduction in its fineness was merely, therefore, a matter of degree and did not affect its purchasing power in any way. The Committee were consequently not in favour of a representation on this matter being made by the Associated Chambers to the Government of India.

The majority of the constituent Chambers was opposed to the action suggested by the Upper India Chamber and the matter was allowed to drop.

BANKING LEGISLATION.

Proposed Amendment of the Indian Companies Act.

(*See Reports* 1929, *Vol. I, page* 60 ; 1930, *Vol. I, page* 17 ; 1940, *page* 47.)

In October 1941 the Government of India asked for the views of the Chamber on a proposal to amend section 227F of the Indian Companies Act, 1913, by the insertion of an explanation to the effect that any company which uses as part of its name the word " Bank," " Banker " or " Banking " should be deemed to be a banking company irrespective of whether the business of accepting deposits of money on current account or otherwise subject to withdrawal by cheque, draft or order was its principal business or not.

The proposed amendment of the Indian Companies Act received the support of the Chamber as its effect would be to carry out a suggestion somewhat similar to that

made by the Chamber in June 1940 when commenting on the draft Bank Bill drawn up by the Reserve Bank of India.

HOLIDAY FOR HALF-YEARLY CLOSING OF BANKS' ACCOUNTS.

(*See Report* 1924, *page* 320.)

In 1922 and 1923 the Government of Bombay after receiving representations from an important section of the business community in Bombay declared the 1st of July and the 2nd of July respectively public holidays under the Negotiable Instruments Act in order to enable banks to make up their half-yearly accounts. In addressing the Chamber on the subject in 1924 the Government of Bombay stated that it was understood that feeling was not unanimous on the question and that the number of banks who made up their accounts on those days were extremely small. Before deciding whether the 1st of July 1924 should be declared a public holiday Government inquired if the Committee wished to express any opinion on the subject.

The Committee stated, in reply, that they were informed that the majority of the banks availed themselves of the facilities provided by the notification of the day in question as a public holiday on the two previous occasions and were anxious for the practice to be continued, at any rate in the case of the current year. The Committee further stated that although they were generally averse to any extension of the list of public holidays, which they regarded as already too long, they recognised the force of the bank's contentions in regard to the work involved in the making up of the half-yearly accounts and they did not desire to raise any objection to the bank's suggestion that the holiday should be continued, at any rate for one year, and added that the most suitable date for the purpose would be Monday, the 30th of June 1924.

Subsequently the Government of Bombay informed the Chamber that in view of the lack of unanimity regarding the desirability of the above holiday and the admitted excess of holidays, Government had decided not to declare a holiday for the closing of the half-yearly bank accounts in that year and in the future.

On the 26th June 1941 the Government of Bombay issued a notification declaring Tuesday the 1st July 1941 to be a public holiday in the city of Bombay to enable banks to make up their half-yearly accounts. In drawing the Chamber's attention to the notification the Government of Bombay stated that this holiday was declared at the urgent request of the Chairman, Bombay Exchange Banks' Association, the President of the Bombay Bankers' Clearing House and the Reserve Bank of India, who represented that a holiday was necessary in order to enable the banks to complete their balance work before the reopening for business in July. Government expressed regret that it was not possible on this occasion to follow the usual practice of prior consultation with the various business Chambers and Associations. The chief reason for declaring the holiday was dislocation of business involved by the Curfew order and this was a circumstance which could not be foreseen in good time. The other reasons put forward were that the 30th June and 1st July fell within the working days of the week, that a number of the banks' supervising staff were absent on war service, and that the hours of work were limited under the Bombay Shops and Establishments Act, 1939. It was also brought to the notice of Government that this holiday was being declared in other large towns such as Calcutta, Madras and Delhi.

FEDERAL COURT.

Proposed Enlargement of Civil Appellate Jurisdiction.

In March 1941 the Associated Chambers of Commerce of India, in addressing the Home Department of the

Government of India, stated that it was understood that in 1940 the Government of India had raised with local Governments the question of the desirability or otherwise of bringing into force section 206 of the Government of India Act, 1935, and the enactment under it of legislation conferring appellate jurisdiction on the Federal Court in civil cases on which a judgment, decree or final order had been passed by a High Court in British India. It was further understood that three alternative courses were discussed in this connection, namely, (i) of abolishing direct appeals to the Privy Council in cases in which appeals to the Federal Court were provided for in the contemplated legislation; (ii) of preserving only appeals to the Privy Council with special leave; and (iii) of conferring a concurrent right of appeal, with or without leave, to the Privy Council or to the Federal Court—a course which the Government of India did not themselves favour, though expressing no opinion on the merits of the first two courses.

The Associated Chambers of Commerce of India stated that as a result of the opinions which had been obtained from the constituent Chambers, the Association as such would strongly oppose any extension at this stage of the jurisdiction of the Federal Court to cover appeals in civil cases from the High Courts, to the extent to which such extension might prejudice the existing right of appeal to the Privy Council or add to the cost of appeal litigation. In giving the following reasons for this attitude the Association requested that their views might be taken into account by the Government of India and made known to those concerned in whatever consideration the proposals might be receiving. In the event of its being decided to proceed further in the matter the Associated Chambers requested that they might be given an opportunity of expressing their views in greater detail before any final decision was reached.

The Associated Chambers' reasons for this attitude were summarised as follows :—

(i) The Federal Court, which had only recently been set up and had had few cases before it, should be allowed to "prove" itself and establish public confidence in it before any question was raised of enlarging its jurisdiction.

(ii) The quality of final judgment in India, where the Judiciary was comparatively "young," could not for many years hope to attain to the universally recognised and unparalleled standard of the Privy Council, whose traditional independence of the executive and whose freedom from local, religious and political influences and prejudices, backed by a strong professional public opinion, had been built up over many decades.

(iii) There was, in the experience of the Associated Chambers, no ground for the view that the war had brought or was likely to bring about conditions under which appeals to the Privy Council presented any difficulty ; it was well known that Privy Council cases were seldom heard until a year or more after reference ; and, according to the Associated Chambers' information, there had not been and was not likely to be any difficulty in preferring or prosecuting appeals before that body.

(iv) The establishment of the Federal Court and, in particular, the provisions of section 206 of the Government of India Act postulated or at least contemplated federation, the prospects of which could not at the moment be regarded as near. The jurisdiction of the Federal Court as a Court of Appeal must, as section 206 provided, be limited to British India and the abolition or restriction of the right of appeal to the Privy Council would result in a differentiation, which was to be deprecated, between the rights of litigants in British India and those in the Indian States whose High Courts might refuse to recognise the decisions of the Federal Court.

(v) From the point of view of commercial interests, whose attitude in the matter was governed by practical

as distinct from political considerations, the question of costs was of the greatest importance. It was understood that, under the existing arrangements, India obtained the benefit of the services of the Privy Council for £4,000 per annum, against which must be placed the heavy expenditure which would be involved in establishing the Federal Court as a Supreme Court of Appeal—namely, the cost of maintaining the necessary Judges, ministerial and other staff and incidentals, not to mention the capital cost involved in providing court buildings, offices and the like. From the point of view also of the individual litigant, it seemed to the Associated Chambers that the cost of an appeal to the Federal Court was unlikely in the existing circumstances in India to be less, and was likely to be considerably more, than the cost of an appeal to the Privy Council. Moreover, if the proposals put forward by the Government of India involved the interposition of the Federal Court as an Appeal Court (that is to say, without ruling out a further appeal to the Privy Council with or without leave) the effect would be additional, unnecessary and expensive charge on litigants, who would rightly continue in many cases to desire the final verdict of an appellate tribunal of the standing of the Privy Council.

(vi) On grounds of expense, political considerations, constitutional considerations and the existing war conditions—which as had been pointed out, did not affect the availability of appeal to the Privy Council—it was the opinion of the Associated Chambers that any question of conferring civil appellate jurisdiction on the Federal Court should at least be deferred until it could be considered under more normal circumstances.

JURISDICTION OF HIGH COURTS IN REVENUE MATTERS.

(*See Report* 1940, *page* 94.)

It was recorded in the Chamber's Report for 1940 that intimation had been received from the Associated Chambers of Commerce of India to the effect that the

Government of India had been addressed on the question of the bar to the High Court jurisdiction in revenue matters relating to sea customs. Subsequently the Chamber was informed that the Associated Chambers had again addressed the Government of India pointing out that the Association in their previous representation gave reasons for their recommendation that section 188 of the Sea Customs Act should be amended to confer original jurisdiction on the High Courts of India in matters arising out of that Act and that, to this end, section 226 of the Government of India Act should be repealed. It had since been pointed out to the Associated Chambers, and confirmed by legal advice in the matter, that if a Bill so to amend the Sea Customs Act were introduced with the previous sanction of the Governor-General in his discretion as laid down in section 226(2) of the Government of India Act, the Bill could validly confer such jurisdiction on the High Courts. The Association inquired in the light of this position, whether the Government of India were prepared to proceed with the consideration of a Bill to amend the Sea Customs Act on these lines.

In replying to the above representation the Central Board of Revenue stated that the subject remained of practical importance and complexity even though the legislative process of effecting an amendment of the existing statutory provisions might prove to be less complicated than the Chambers originally believed. The Central Board of Revenue accordingly inquired whether the Chambers had departed from their view that the matter was not one of urgency and that its settlement might be deferred until the termination of the the present hostilities.

The Associated Chambers in reply informed the Central Board of Revenue that their representations to Government were made as the result of prolonged consideration of the subject commencing some considerable time before the outbreak of hostilities. They thought it proper that the outcome of their discussions should be formally laid before

the Government of India, but they were under the erroneous impression at the time that an amendment of the Government of India Act would also be necessary and it was purely out of consideration for the preoccupations of the Governments of the United Kingdom and India at a period of great stress that the Chambers indicated in their original letter of the 5th December 1940 that the question was one which could await attention when a favourable opportunity arose. In the same letter they stated that they regarded the proposed amendments as "very necessary and subordinate only to the more pressing problems of the war." If, notwithstanding these problems, the Government of India could find time to frame and introduce an amending Bill the Associated Chambers would welcome it.

Subsequently the Central Board of Revenue informed the Associated Chambers that there was no prospect of the Government of India being able to take up the examination of the proposals until after the war.

BILL TO AMEND THE INDIAN LIMITATION ACT.

On the 21st November 1940 a private Bill was introduced in the Council of State for the purpose of amending the Indian Limitation Act, IX of 1908.

A decision given by the Judicial Committee of the Privy Council in Rama Shah *vs.* Lal Chand, reported in A.I.R. 1940 P.C. 63, placed a strict interpretation on the words of section 20 of the Indian Limitation Act and created considerable hardship. Endorsements of payments made by debtors towards a debt did not in all cases specify whether the payment was made towards interest as such or part of the principal. In practice, debtors also did not specify at the time of making payment whether the payment was made towards interest or principal. In many cases, the payments were made towards the debt or legacy

due, and the mode of appropriation was left either to the creditor or was regulated in accordance with the course of business between the parties. It was felt that if the decision of the Privy Council was allowed to stand, several promissory notes and bonds on which endorsements were made without specifying that the payment was made towards interest as such or principal would be held by Courts to have become time-barred. It was, therefore, considered necessary to amend section 20 of the Indian Limitation Act in such a way as to give effect to the intention of the Legislature that a payment made towards a debt would have the effect of saving limitation, for all payments were intended to go either towards principal or interest or partly towards the one and partly towards the other, whether the endorsements so specified or not, provided the acknowledgment of payment appeared in the handwriting of, or in a writing signed by, the person making the payment. But in order to save endorsements of payments made before the passing of this Act, it was proposed to give retrospective effect to the Bill and provision was accordingly made that the section should be so read as if the words " as such " never existed in the section.

In replying to a reference from the Government of Bombay in regard to the Bill the Committee stated that they agreed with the proposed amendment.

The Select Committee to whom the Bill was referred found it necessary to redraft the Bill. They were of opinion that the mere omission of the words " as such " from section 20 of the Indian Limitation Act, 1908, would not abolish the distinction between payment of interest and part payment of principal. So long as that distinction remained it would be necessary for the creditor to appropriate an open payment either to interest or principal, if he wished to save limitation. It was also necessary to distinguish part-payments of legacies from part-payments of other debts, and to secure that it was only a payment of interest on a legacy that started a fresh period of limitation.

The Select Committee decided against giving to this alteration of the law any retrospective effect such as was intended to be given by clause 3 of the Bill as introduced. Before the Privy Council case which had occasioned the Bill the current of decisions on the interpretation of section 20 of the Indian Limitation Act was not uniform. The Bombay and Allahabad High Courts took one view subsequently established by the Privy Council ruling ; the Patna High Court took another. A creditor who took the risk of ignoring the indications given by the decision of the Allahabad High Court and later of the Bombay High Court could not complain if he found to his cost that he was ill-advised. To give retrospective effect would also enable creditors who had appropriated an open payment to principal with a view to saving limitation, but had not communicated the fact of such appropriation to the debtor, to re-appropriate that payment to interest. This would be patently unfair to the debtor, who would have to pay the principal and the interest thereon.

REGISTRATION OF TRADE MARKS IN INDIA.

DEPUTY REGISTRAR OF TRADE MARKS IN BOMBAY.

(*See Reports* 1939, *page* 77 ; 1940, *page* 109.)

The scheme for the deposit of trade marks originally sanctioned by the Government of India for six months from 1st October 1940 was extended in March 1941 for three months, to 30th June 1941 and later for another three months, i.e., 30th September 1941. By an amendment to the original notification, it was also provided that persons who intended to apply for the deposit of trade marks consisting exclusively of numerals or words or any combination thereof relating to textile goods might do so on ordinary paper in duplicate stating particulars regarding the articles on which the marks were used or were proposed to be used and the period of use, if any, of the marks.

At a meeting of the Bombay Millowners' Association with Mr. T. S. Pillay, O.B.E., M.A., B.L., Deputy Secretary

to the Government of India, Department of Commerce, held in April 1941, at which the Chamber was represented, a discussion took place regarding the powers of the Deputy Registrar in Bombay in respect of textile marks and it was placed on record that the Millowners' Association considered the Trade Marks Act should be so amended as to allow all applications whether for registration or rectification in respect of textile marks to be made to the Deputy Registrar in Bombay.

It was also represented that these amendments when prepared should be submitted to the Millowners' Association for criticism before they were finally promulgated.

The Committee of the Chamber in addressing the Department of Commerce of the Government of India subsequently on the subject fully supported the representation as they considered it essential that the Deputy Registrar's powers in Bombay should be concurrent with, and in no way dependent on, the Registrar's powers in Calcutta.

In November 1941 a Bill was introduced in the Legislative Assembly with the object of amending the Trade Marks Act, 1940. It was stated that it had been realised that the Trade Marks Act, 1940, did not endow the Deputy Registrar of Trade Marks, Bombay, with all the powers necessary to carry through to its final stages the registration of a textile trade mark. It was considered desirable to give him full powers to do everything necessary right up to and including the stage of complete registration of textile marks. The proposals in the Bill were designed to achieve this object by setting up an independent registry of textile trade marks at Bombay under an officer exercising all the powers of the Registrar in respect of textile trade marks within his own jurisdiction. The jurisdiction was defined by reference to the Province in which the applicant for registration had his principal place of business, and included all except the eastern portions of British India, which remained within the jurisdiction of the Registrar at Calcutta.

The Bill was passed by the Legislative Assembly without amendment (Act No. XXVII of 1941).

AMENDMENT OF THE INDIAN COMPANIES ACT.

Provident Fund Investments.

In November 1941 a Bill was introduced in the Legislative Assembly which had for its object the amendment of the Indian Companies Act, 1913. In the statement of objects and reasons appended to the Bill it was stated that representations had been received by the Government of India that owing to delays in the arrival of mails from the United Kingdom, cases had occurred in which particulars relating to the allocation in the United Kingdom of shares of companies with share capital had not been received in India within one month from the date of allotment to enable them to be filed with the Registrar of Joint Stock Companies by the time required under sub-section (1) of section 104 of the Indian Companies Act. Such cases were likely to occur frequently until the end of the war. It was considered unreasonable that companies in the present circumstances should always apply to the High Courts for relief as provided in sub-section (3) of section 104 of that Act. The position could be rectified by conferring powers on the Registrar to extend in exceptional cases the period within which the required return of share allotment could be filed.

There was a strong demand that provident fund moneys of employees of companies should be allowed to be deposited in the Post Office Savings Bank. Such deposits were not permissible under sub-section (2) of section 282B which permitted investment of such provident fund moneys only in securities mentioned or referred to in clauses (*a*) to (*e*) of section 20 of the Indian Trusts Act, 1882. Deposits in the Post Office Savings Bank did not constitute securities for this purpose. The position could be rectified by amending sub-section (2) of section 282B of the Indian Companies Act to enable deposits of the nature mentioned above being made in the Post Office Savings Bank.

The present Bill was designed to achieve both the objects.

The Bill was passed by the Legislative Assembly without amendment (Act XXVI of 1941).

When the Bill was before the Legislative Assembly a member of the European Group raised a question in regard to clause 3 of the Bill, which read as follows :—

" In sub-section (2) of section 282B of the said Act, for the words ' shall be invested, and shall be invested only ' the words ' shall be either deposited in a Post Office Savings Bank account or invested ' shall be substituted, and for the words ' which are not so invested shall be ' the words ' which are not so deposited or invested shall be so deposited or ' shall be substituted."

The matter to which he made reference was that the " Rules for the Guidance of Depositors in Post Office Savings Banks " were at the moment so framed as to be in conflict with the objects of clause 3. For instance, the maximum amount that might be deposited in a Post Office Savings Bank account annually was Rs. 750 and the total amount of the account might not exceed Rs. 5,000 nor would trust accounts be opened.

The Honourable the Commerce Member was asked for an assurance that the relevant rules would be suitably altered.

Sir Ramaswami Mudaliar, in his reply, stated as follows :—

" A single account may be opened by the Manager or Director of a private firm or company in the name of the firm or company itself, solely for the purpose of depositing the provident fund balances of its employees. The annual and maximum limits of deposits and the prohibition against deposits and withdrawals of sums containing fractions of a rupee, do not apply to these accounts." He went on to say, " That rule, if it is inserted, will do away with the anomalies and difficulties which have been pointed out."

Whilst the statement " that a single account may be opened by the Manager or Director of a private firm or company in the name of the firm or company " no doubt was intended to include such accounts as were in the names of the provident funds of firms or of the trustees thereof, this was not specifically stated.

The matter, however, was subsequently discussed with Mr. A. K. Roy, an assistant Financial Adviser to the Finance Department, who stated that the rules governing the opening of accounts and deposits therein in Post Office Savings Bank would be altered to meet the point raised.

INDIAN COMPANIES ACT.

AMENDMENT OF FORM H OF THE THIRD SCHEDULE.

The following notification of the Department of Commerce of the Government of India dated 1st February 1941 is reproduced for purpose of record :—

No. 23 (25)—*Tr.* (*C.L.*)/39.—In exercise of the powers conferred by sub-sections (2) and (3) of section 151 of the Indian Companies Act, 1913 (VII of 1913), the Central Government is pleased to direct that the following additions and alterations shall be made in Form H in the Third Schedule to the said Act, namely :—

In the said Form—

(1) Under the heading " Liabilities," below item 7, the following shall be inserted, namely :—

" Where a company is a holding company a statement showing how and to what extent the losses, if any, of the subsidiary companies have been provided for either in the accounts of the subsidiary companies or of the holding company or of both.

" If it is not possible to obtain such information a statement to that effect giving the reasons therefor.

Note.—So far as a holding company has any subsidiary company or companies operating in British India it shall disclose the particulars required under section 132A in respect of such subsidiary company or companies."

(2) The brackets, words, figures and letter " (Where a company is a holding company then the balance-sheet shall disclose the particulars required by section 132A) " at the end shall be omitted.

INDIAN COMPANIES ACT.

Reorganisation of Share Capital.

Section 54 of the Indian Companies Act, 1913, provided that if the conditions contained in the memorandum of a company were to be modified so as to reorganise its share capital, whether by consolidation of shares of different classes or by division of its shares into shares of different classes, no preference or special privilege attached to any class of shares should be interfered with except by resolution passed by a majority of shareholders of that class holding three-fourths of the share capital of that class. The well-nigh prohibitive majority required by the section had made it extremely difficult, in practice, to put through any scheme for consolidation or sub-division of share capital in the case of companies in which the rights and privileges attached to the different classes of shares were set out in the memorandum. With the passing of the Indian Companies (Amendment) Act, 1936, an anomaly had resulted that while under the new section 153A, added by that Act, it was possible for a company to carry out a scheme for the transfer of the whole of its assets and undertaking and for dissolution by proceedings under section 153, which required a far less stringent majority than was required by section 54, the relatively less important matter of consolidation or sub-division of the capital of a company could only be effected through the machinery of the latter section.

The Greene Committee which reported on the provisions of the English Companies Act resulting in the comprehensive amendment and consolidation Acts of 1928 and 1929 in England made the following observations on sections 45 and 120 of the English Companies Act of 1908 (since repealed) which were substantially in the same form as the corresponding sections 54 and 153 respectively of the Indian Companies Act, 1913 :—

"Having regard to the wide construction placed by the Courts on section 120 there appears to us to be little necessity to retain section 45 since everything or nearly everything that can be done under that

section could equally well be done under section 120. Moreover, the fact that in schemes involving any of the matters specifically mentioned in section 45 both that section and section 120 have usually to be complied with involves unnecessary complication (see *re.* Palace Hotel, 1912, 2 Ch. 438 *re.* Nordberg, 1915, 2 Ch. 439), particularly in view of the fact that it is often a matter of great difficulty to obtain the very large and exceptional majority required by section 45."

Recommendation.—"We recommend that section 45 should be repealed, but in order to avoid any doubts it will be desirable so to amend section 120 as to show that the powers conferred by that section are to include all the powers now conferred by section 45."

The Greene Committee's recommendation was accepted with the result that section 45 of the English Companies Act of 1908 was deleted and a provision was inserted in section 153 of the English Companies Act of 1929 (corresponding to section 120 of the repealed Act of 1908) providing that an "arrangement" under that section included a reorganisation of the share capital by consolidation or sub-division of shares.

With a view to remedy what was left undone by the Indian Companies (Amendment) Act, 1936, it was proposed to introduce a Bill in the Council of State, for the purpose of deleting section 54 of the Indian Companies Act and amending section 153 on the same lines as in England. The Committee of the Chamber approved the Bill.

INDIAN INSURANCE ACT (AMENDMENT) BILL, 1941.

(*See Reports* 1934, *page* 45 ; 1935, *page* 58 ; 1936, *page* 32 ; 1937, *page* 54 ; 1938, *page* 36 ; 1939, *page* 56 ; 1940, *page* 98.)

On the 11th February 1941 a Bill was introduced in the Central Legislative Assembly for the purpose of amending the Insurance Act, 1938, in respect of (*a*) a considerable number of matters in regard to which amendment was necessary in order to remove flaws and administrative difficulties which had come to light during the eighteen months for which the Act had been in operation, and (*b*) some other matters in respect of which further provision was considered desirable.

Some of the more pressing amendments were dealt with in previous Amending Bills. The remainder were included in this comprehensive Bill.

The principal amendments included in this Bill provided for (*a*) grant of permission to the public to inspect or get copies, on payment of a fee, of documents filed by insurers; (*b*) imposing on those types of business, which though classed as 'miscellaneous insurance' were susceptible in some degree of actuarial valuation, actuarial requirements as similar as might be to those to which life insurance business was already subject; (*c*) extension of the time for the submission of valuation returns under section 15 in all cases to 9 months; (*d*) fixation of a time limit of 3 months within which appeals to Court must be made against the orders of the Superintendent of Insurance; (*e*) extension of the power to order a revaluation under section 22 to all valuations of insurers; (*f*) recovery of the expenses of investigations ordered under section 33 as arrears of land-revenue; (*g*) allowing the age of the insured to be proved at any time after the issue of a policy; (*h*) clarification of section 48 relating to the election of policyholders' directors; (*i*) protection of the interests of the policyholders concerned when an insurer or a provident society ceased to carry on insurance business on the dividing principle; (*j*) co-ordination of the provisions applicable to insurers and those applicable to provident societies; (*k*) extension of the principle of a guaranteed surrender value to whole-life policies also; (*l*) removal of a legal difficulty which prevented defining which of the particular transactions of an insurer were to be considered as transacted in British India or India, as the case might be; (*m*) extension of the power of granting reciprocal exemptions under section 116 to provident societies also; (*n*) an amendment of section 7 so as to allow the Reserve Bank to charge their normal commission on the sale of, or investment in, securities which they were required to sell or invest under that section on the request of an insurer.

The Bill also provided for an annual fee for renewal of registration of insurers and provident societies and for an increase of the fee charged for agents' licences. These provisions were considered necessary in order to increase the realisations under the Act so as to cover the direct cost of administration.

In addition to the above points, several defects of a technical nature were also dealt with.

After referring the Bill to a Special Sub-Committee the Committee telegraphed to the European Group in the Central Legislature that, with reference to clause 4, if it was considered necessary and if the cost of subsidising the department was justified by precedent, they agreed to the renewal fees provided registration was automatic on payment of the fees and that the graded fees for all classes except life did not exceed Rs. 500 each. In connection with clause 61 the Committee saw no necessity for the guarantee surrender values to be specified on policies.

In the Bill as finally passed the maximum renewal fee was fixed at Rs. 1,000 and the Chamber's objection in regard to clause 61 was met.

The Bill as amended was passed by both Houses of the Legislature and received the assent of the Governor-General on the 8th April 1941 (Act No. XIII of 1941).

INDIAN INCOME-TAX (AMENDMENT) BILL, 1941.

On the 15th October 1941 the Government of India published a Bill further to amend the Indian Income Tax Act, 1922, L. A. Bill No. 26 of 1941.

The main objects of this Bill were threefold.

(*a*) To make such changes in respect of the liability to tax of income arising in Indian States to residents in British India as would secure a satisfactory and equitable basis for reciprocal double income-tax relief arrangements with the States (clauses 8 (*b*), 10 (*b*) and 30);

(*b*) To grant certain concessions to the tax-payer, e.g., clauses 6 and 7 which dealt with depreciation, and clause 13 which dealt with the carry-forward of losses;

(*c*) To clarify the meaning of certain sections of the Act, e.g., clauses 9, 21, 25, 26 and 27.

Opportunity was taken at the same time to provide for the restoration of the Commissioner's powers of revision, for which there was a widespread demand (clause 18), to curtail the concessions allowed by sub-sections (3) and (4) of section 25 (clause 4) and to remedy some minor defects and omissions which had come to notice in the working of the Act.

On receipt of a telegraphic request from the European Group in the Central Legislature for the views of the Committee on the Bill, the following telegram was sent to the Group :—

"Income-tax Amendment Bill, Bombay Chamber recommends clause 9, amend to provide for principle that under sections 16 (2) and 49B rate of tax on increased dividend to be rate at which grossed up. Clause 14 proviso (*a*), insert after assessed quote brackets including assessment of such profits and gains in hands partner registered firm bracket unquote because of different method assessment this case. Clause 17 (*c*), make applicable also to sub-section (1). Clause 21, delete sub-section (2) because of section 42 (1) this goes well beyond notes on clause and gives no safeguards provisos 42 (1) or 42 (3)."

In amplification of the above telegram the following notes were submitted to the Group :—

Clause 9 *of the Bill.*—The principle to be established was that where a dividend was grossed up, the rate of tax to be levied on the increased dividend should be the same as that at which the dividend was grossed up. This applied to an increase both under sections 16(2) and 49B. It was immaterial in what place in the Act this provision was found, so long as it was inserted.

Clause 14 *of the Bill—Sub-clause* (*a*) *of new proviso to section* 25(4).—The assessees to super-tax in the case of a business carried on by a registered firm were the individual partners of the firm. This position was different from the assessment to super-tax in respect of a business carried on by a company, person or unregistered firm. It might be

argued, if the clause stood as drafted, that the partners of a registered firm were not entitled to the benefits of the exemption. It was, therefore, suggested that the words and brackets " (including an assessment of such profits and gains in the hands of a partner of a registered firm) " or some such words should be inserted after the words " business profession or vocation were assessed."

Clause 17(c) *of the Bill.*—This clause should be made applicable to sub-section (1) as well as to sub-section (2) of section 33 especially owing to delays in mail. This was also in accordance with the notes on clauses.

Clause 21 *of the Bill.*—Sub-clause (2) of section 40 should be deleted. A direct assessment could always be made on a trustee or agent of a non-resident under section 42(1) and in respect of such assessment the assessee obtained the benefit of the provisos to that sub-section and the assessment was subject to the provisions of section 42(3). The insertion of the proposed section 40(2) seemed a new way of getting round section 42(3) and went very much beyond the object stated in the notes on clauses.

The Select Committee which considered the Bill did not accept the amendment suggested by the Chamber in regard to clause 9 of the Bill.

Clause 14.—Here again Government were reluctant to make any alteration as apparently they considered the law clear. The Chamber endeavoured, without success, to get an assurance in the Council of State that the exception in sub-clause (*a*) would apply in the case of a business carried on by a registered firm.

Clause 17 (c).—The point raised by the Chamber was covered by an amendment moved in Select Committee and accepted by Government.

Clause 21.—The deletion of sub-section (2) of section 40 as suggested was not supported by the European Group.

The Committee informed the Chamber's representative in the Council of State that they were unable to appreciate the attitude of the Group as the latter had not given any reason for not acceding to the Chamber's request. Government also had not given any reasons for requiring the sub-section. It was felt that sub-clause (2) of section 40 as proposed would be utilised by Income-tax Officers in preference to section 42 (1) in order to avoid an assessee claiming the benefit of section 42 (3) and the assessee from claiming the benefit of the second proviso to section 42 (1). The Committee emphasised that the amendment went well beyond the object stated in the notes on clause 21 of the Bill, in fact, section 40 (2) was an entirely new principle.

In telegraphing to the Hon'ble Mr. R. H. Parker, the Chamber's representative in the Council of State in connection with clause 14, the Committee stated that while agreeing that the principles of both sub-sections (3) and (4) of section 25 of the Act were equitable, what was required, was that when business was carried on by a registered firm in 1919-20 or 1920-21 and assessed then for the first time to super-tax in the hands of the partners profits of the same business got the benefit of section 25 (4) for super-tax, irrespective of change in partners, who had, of course, in most such cases, paid super-tax before the 1939 amendment on profits of business for the year prior to admission. The Committee gave a concrete example of a gentleman, whose firm was assumed to have paid super-tax for the first time in 1920-21, and who was admitted a partner in 1926. In the assessment year 1926-27 he paid super-tax on the 1925 profits, which he did not receive. The Committee felt that if the business were sold, the partners should be entitled to the benefit of section 25 (4).

The following extracts from the Hon'ble Mr. Parker's question bearing on the point and of the Hon'ble Sir Jeremy Raisman's reply are reproduced for the information of members.

Extract from the Hon'ble Mr. R. H. Parker's Speech : 19-11-1941.

" There is only one particular clause to which I want to refer and that is clause 14 of the Bill, which deals with the provisions of section 25 of the Act under which certain equities are put on a proper footing when a business ceases to be carried on. I am not quite clear as to the effect of this on registered firms and partners in registered firms. In particular, I would like to know if Government can tell whether the exception in the proposed proviso under (*a*) to sub-section (4) of section 25 of the Act will apply to any partner in a registered firm who was assessed to super-tax in respect of that business for the first time for 1920-21 or 1921-22 and also I would like to know whether it would apply to any partner who was not assessed then but who had a predecessor who was. I would very much like enlightenment on this point."

Extract from the Hon'ble Sir Jeremy Raisman's Speech : 19-11-1941.

" There is, however, one question that was asked by the Hon'ble Mr. Parker, which I can dispose of because it has been the subject of correspondence with the Central Board of Revenue and I am able to say what the answer is in regard to the point which he raised regarding clause 14. The answer, I understand, is that the exception in sub-clause (*a*) will apply to any partner in a registered firm who was assessed to super-tax in respect of that business for the first time for 1920-21 or 1921-22. I would, however, go on to say that as the number of such partners, if any, must be very few, the question is largely academic."

It would be noted that the second part of the question was not answered but in a letter addressed subsequently to the Hon'ble Mr. Parker by Mr. J. F. Sheehy, Member of the Central Board of Revenue, the latter stated that what the former's constituents were asking for was a radical change in the law which he was not prepared to support. Mr. Sheehy added that the Chamber was confusing two separate and distinct issues, viz., section 25 (4) definitely excluded this type of case and was confined to cases where there was a succession to the business, and the justification for it was not that this or that partner paid tax on a retiring partner's profits, but that the predecessor (taking the business as a whole) must get this relief if he was not to be assessed for one year more than the period of his trading.

In applying this principle to super-tax it was found that in the case of registered firms it was the partners and not the firms who paid super-tax in 1920-21 and 1921-22. In strict law, therefore, no relief was admissible under proviso (*a*) in the case of registered firms. However, as an executive concession the Central Board of Revenue had undertaken to give the relief at the time of discontinuance, or succession to any then existing partner who was assessed to super-tax for the first time for 1920-21 or 1921-22. They saw no reason why they should go further than this and allow a partner who joined in 1926 to get a refund because a previous partner had paid super-tax in 1920-21. In fact, their tendency was the other way, as might be seen from the amendment to section 24 (2) in this very Bill.

INCOME-TAX.

Admissibility of Air Raid Precautions Expenditure in assessing Business Income.

The following circular No. 25 was published by the Central Board of Revenue (Resolution Dis. No. 27(26)-I.T/41) on 15th April 1941 :—

The question has arisen whether expenditure incurred by an assessee on air raid precautions in connection with property used for business purposes is an admissible deduction under section 10 of the Indian Income-tax Act. The general principle is, of course, that if expenditure brings an asset into being it is of a capital nature and hence inadmissible, but it is not desired that in the case of expenditure for the purpose in question there should be any disallowance unless an asset is brought into being that is of a durable character. On this basis fees paid to Air Raid Precaution Wardens for lectures on air raid subjects and cost of literature, etc., are clearly allowable. Expenditure on whistles, gas masks, etc., is on the border line as these articles last much longer than a year. A strictly correct way to treat them would be as loose tools and consumable stores and allow them to be valued at the end of the year. The Board, however, considers that such a strict view should not be taken in regard to this purely war expenditure which should be wholly allowed. As regards any additions or alterations made to the buildings, plant or machinery as a precaution against air

raids, the expenditure should also be allowed, unless it is clear that these are additions or alterations to the buildings, plant or machinery that may have a post-war value. In that case the expenditure should be treated as capital and depreciation thereon should be allowed according to the rules.

2. These instructions apply equally to the computation of profits for excess profits tax purposes.

In November 1941, in referring to circular No. 25, the Committee informed the Central Board of Revenue that they noted that where expenditure was incurred by an assessee on air raid precautions in connection with property and especially by additions or alterations made to the buildings, it was the intention of the Central Board of Revenue to make full allowance for this expenditure, unless it was clear that these were additions or alterations to the buildings that might have a post-war value.

The Committee appreciated Government's intention in this matter but at the same time felt that cases might arise where there would be considerable difference of opinion between the assessee and the Income-tax authorities, as to whether or not the additions or alterations did in fact fulfil the claim that they had enhanced the value of the property. As an example the Committee drew attention to one of several actual instances in this area.

A member firm had been advised by the A.R.P. authorities to remove its present factory wall which was made of corrugated iron and to replace it by a stone structure. By the very nature of the business concerned a corrugated iron building which could be contracted or expanded with the minimum of cost was preferable to a more solidly constructed building. On the other hand, a masonry wall might be considered essential to protect valuable machinery from air raids. This alteration was, therefore, of no pecuniary advantage to the firm and would not have been undertaken except from the point of view of air raid precaution. But at a later date it might well be argued that the value of the premises had been enhanced.

The Committee strongly urged that the cost of all structural alterations laid down and approved as necessary by the A.R.P. authorities should be permitted without argument as a charge against revenue irrespective of any enhanced value the premises might be said to have after the war.

Early in December 1941 the Associated Chambers of Commerce of India published for the information of constituent Chambers the following draft scheme which the Central Government had drawn up for the recovery of costs of measures of air raid precautions in factories. In submitting the scheme to the Associated Chambers the Government of India stated that it had not in practice been found possible to devise a satisfactory formula for implementing the original scheme whereby firms were to recover costs of structural precautions by raising prices.

Scheme for the Recovery of Cost of Measures of A.R.P. in Factories.

The Government of India have come to the conclusion that the most satisfactory way for allowing business concerns to recoup the cost of A.R.P. measures will be to allow the firms concerned to write off such costs as revenue expenses for income-tax (and excess profits tax) purposes except to the limited extent that some items may have a permanent post-war (capital) commercial value. It will be remembered that the costs involved are only costs of such measures as have been carried out under the orders of an A.R.P. Officer of Government empowered for this purpose either by the Central or Provincial Government. The present scheme is intended to apply to all approved A.R.P. measures and not, as did the original scheme, to structural precautions only.

2. It is proposed that this scheme outlined above will be worked in the following manner :—

(*a*) The A.R.P. Officer concerned will serve an order on the firm stating the A.R.P. measures which the firm is required to undertake; and in special cases, where he considers it necessary, it will be open to that officer to obtain and approve estimates of costs framed by the owners.

(*b*) After the work has been completed, a statement of the cost actually incurred by the owners will be submitted to the officer ordering the execution of the measures. These statements will bear a certificate of the auditors of the owner of firms to establish the conformity of the statements with the accounts of the firms. On receipt of these statements

the authority ordering the measures will, on being satisfied of the correctness of the statements, certify the amount which should be treated as allowable revenue expenditure for this purpose and the amount to be treated as capital expenditure and the Income-tax Officers will treat such certificates as final for purposes of assessment.

Note.—Before expenditure is treated as capital expenditure, the A.R.P. Officer should be satisfied not only that the expenditure will have a post-war value but also that the expenditure is one which in the ordinary course the firm might have found it advisable to undertake.

INCOME-TAX (DOUBLE TAXATION RELIEF) DOMINIONS RULES.

On the 14th January 1941 the Government of India, Finance Department (Central Revenue), issued the following notification :—

No. 1.—In exercise of the powers conferred by section 49A of the Indian Income-tax Act, 1922 (XI of 1922), and in supersession of the notification of the Government of India in the Finance Department (Central Revenues), No. 67-Income-tax, dated the 19th August 1939, the Central Government is pleased to make the following rules for the granting of relief in respect of income on which tax has been paid both in British India and in certain of His Majesty's Dominions, namely :—

1. These rules may be called the Income-tax (Double Taxation Relief) (Dominions) Rules, 1940.

2. In these rules,—

(*a*) " Dominion " means any of the territories specified in the first column of the schedule annexed to these rules ;

(*b*) " Dominion income-tax " means tax charged for any year in accordance with the provisions of the dominion enactment specified in the second column of the said schedule ;

(*c*) " Dominion rate of tax " has the meaning assigned to it in the section of the respective dominion enactment specified in the third column of the said schedule ;

(*d*) the expressions " Indian Income-tax " and " Indian rate of tax " have the same meaning as in clauses (*a*) and (*b*) respectively of sub-section (2) of section 49 of the Indian Income-tax Act, 1922 (XI of 1922).

3. If any person who has paid by deduction under section 18 of the Indian Income-tax Act, 1922, or otherwise Indian income-tax for any year on any part of his income proves to the satisfaction of the Income-tax Officer that he has paid by deduction or otherwise dominion

income-tax for that year in respect of the same part of his income, he shall be entitled to a refund of a sum calculated on that part of his income at a rate to be determined as follows :—

(*i*) If he is resident in British India the rate at which refund is to be given shall be—

(*a*) the dominion rate of tax, when that rate does not exceed half of the Indian rate of tax, and

(*b*) half the Indian rate of tax, in any other case.

(*ii*) If he is not resident in British India the rate at which refund is to be given shall be—

(*a*) half of the dominion rate of tax when that rate does not exceed the Indian rate of tax, and

(*b*) in any other case, the amount by which the Indian rate of tax exceeds half of the Dominion rate of tax :

Provided, that in no case shall the rate at which such refund is calculated exceed half the Indian rate of tax appropriate to the income of the person entitled to relief or be greater than the excess of the lower of the Indian and the dominion rate of tax over the rate at which relief is given in the dominion.

4. (1) Every application for refund of Income-tax under these rules shall be made to the Income-tax Officer of the district in which the applicant is chargeable directly to income-tax or if he is not chargeable directly to income-tax, to the Income-tax Officer of the district in which the applicant ordinarily resides, or if he is not resident in British India—

(*i*) to the Income-tax Officer of the district or area in which he was last charged directly to income-tax when so resident, or

(*ii*) if he has never been so resident, to the Income-tax Officer of the district or area where the income-tax for the refund of which application is made was paid.

(2) Such application may be presented by the applicant in person or by a duly authorised agent or may be sent by post, and shall as far as circumstances permit be in Form I appended to these rules.

5. No claim to any refund of Indian income-tax or super-tax under these rules shall be allowed unless it is made within four years from the last day of the financial year commencing next after the expiry of the previous year in which the income arose, accrued or was received or was deemed to have arisen, accrued or been received or was brought into British India.

Provided, that where the claim is to a refund of income-tax or super-tax paid prior to the 1st April, 1939, the claim shall not be allowed unless it is made within one year from the last day of the year in which such tax or the dominion income-tax was recovered whichever is later.

6. An applicant for refund under these rules may appeal to the Appellate Assistant Commissioner of Income-tax from any order of the Income-tax Officer disallowing the claim for refund either wholly or in part.

7. The appeal shall be presented within thirty days of the date on which the order of the Income-tax Officer was communicated to the applicant, and shall, as far as circumstances permit, be in Form II appended to these rules.

FORM I.

(See rule 4.)

Application for relief from double income-tax under the Income-tax (Double Taxation Relief) (Dominions) Rules, 1940.

I, of

do hereby state that I have paid [or under the provisions of section 49B of the Indian Income-tax Act, 1922 (XI of 1922) must be deemed to have paid] (name of dominion) income-tax amounting to £ for the year ending 19 on an income of £ and that Indian income-tax/income-tax and super-tax of Rs. has also been paid [or under the provisions of section 49B of the Indian Income-tax Act, 1922 (XI of 1922) must be deemed to have been paid] on the same income*/part of the same income amounting to Rs. .

I now pray for relief at the rate of amounting to Rs. to which I am entitled under the Income-tax (Double Taxation Relief) (Dominions) Rules, 1940. My income from all sources during the previous year ending on the 19 , amounted to Rs. only—see Return of income attached/already submitted.

Signature.

I hereby declare that what is stated herein is correct.

Signature.

Dated 19

FORM II.

(See rule 7.)

Appeal from an order of the Income-tax Officer disallowing a claim for refund under the Income-tax (Double Taxation Relief) (Dominions) Rules, 1940.

To

The Appellate Assistant Commissioner of Income-tax.

The day of 19 .

The petition of

of post office, District sheweth as follows :—

Your petitioner applied to the Income-tax Officer for a refund

* Where the income on which income-tax has been charged differs from that on which super-tax has been charged both amounts must be specified.

under the Income-tax (Double Taxation Relief) (Dominions) Rules, 1940, of Rs. . The Income-tax Officer has by his order dated the , of which a copy is attached, rejected the application / granted a refund of only Rs.

Intimation of this order was received by your petitioner on

Your petitioner therefore requests that the order of the Income-tax Officer may be set aside and the refund asked for may be granted.

Signed.

GROUNDS OF APPEAL.

Form of verification.

I, , the petitioner named in the above petition do declare that what is stated therein is true to the best of my information and belief.

Signed

SCHEDULE.

1	2	3
Kenya ..	Income Tax Ordinance, 1937 (XII of 1937) of the Colony and Protectorate of Kenya.	Section 44.
Tanganyika ..	War Revenue (Income-tax) (Replacement) Ordinance, 1940, of Tanganyika territory.	Section 32 (3)
Uganda ..	Income Tax Ordinance, 1940, of Uganda Protectorate.	Section 32 (3).
Zanzibar ..	Income Tax Decree, 1940, of Zanzibar Protectorate.	Section 32 (3).

In addressing the Central Board of Revenue on the subject the Committee drew attention to paragraph 5, which was presumably to accord with section 34, pointed out that if the notice under that section was issued at the end of the 4 years there would be no payment for relief. The

Committee, therefore, suggested that the following addition should be made :—

"Or in a case where assessment follows a notice under section 34 within one year of the date on which the notice was issued, whichever is later."

The Central Board of Revenue stated that rule 5, corresponded to section 50 of the Indian Income-tax Act, 1922, and that since the limitation in section 50 had worked without causing any hardship, there was no reason why the limitation in rule 5 of the rules referred to above should work otherwise. Taking the extreme case, if a notice under section 34 was issued in British India after four years, and if the income in question had been assessed in any of the Dominions it would be open to the assessee to make a claim for double income-tax relief simultaneously. In the circumstances the Board did not consider that an amendment of the rules in question was necessary.

REFUND OF INCOME-TAX ON DIVIDENDS.

Submission of Dividend Certificates.

On the 4th February 1941, the Central Board of Revenue issued the following circular No. 12 of 1941, intimating that it had been represented to the Board that assessees sometimes found it difficult to submit dividend certificates to Income-tax Officers due to such certificates being required elsewhere for the purpose of double income-tax relief. The Board desired that in such cases certified copies of the dividend certificates concerned or a certificate containing the requisite particulars from an income-tax authority of the country where the dividend certificates had been filed should be accepted by. Income-tax Officers.

CLAIMS FOR REFUND OF INCOME-TAX ON DIVIDENDS BY NON-RESIDENTS.

The following circular No. 49 was issued by the Central Board of Revenue on the 18th November 1941, and is

reproduced here for purpose of record :—

Shareholders claiming refund of tax in respect of dividends on shares owned by them are required to send the dividend certificates prescribed in rule 14 along with their refund claims after signing the declaration as to ownership of shares at the end of the dividend certificate. It has been represented that this procedure gives rise at present to considerable inconvenience and delay in cases where a shareholder residing abroad has authorised his bankers in India to receive the dividend certificate from the company concerned and to collect the dividend, since such a certificate has subsequently to be sent by the bank to the shareholder to enable him to sign the certificate of ownership on the dividend certificate before it can be forwarded to the Income-tax Officer along with his refund claim. Considerable delay, therefore, arises in the settlement of a claim in view of the double journey which these dividend certificates have to perform, apart from the serious inconvenience that has been and is likely to be caused by their loss *en route* as the result of enemy action. While the certificate of ownership of the shares cannot be dispensed with since it is necessary to ensure that the shares are not held by the claimant as a nominee of someone else, the Board has decided, in view of the hardship involved, that in the case of claimants resident in the United Kingdom and in other countries with which communications are liable to interruption owing to war conditions, it should be sufficient if instead of signing the certificate of ownership on the dividend certificate itself a certificate in the following form is forwarded by the claimant, viz.—

"I hereby certify that the dividends in respect of which I am claiming refund in the attached application relate to shares which were my own property at the time when the dividends were declared/during the period from
to /on (date)
and were in the possession of
The relevant dividend certificates will be furnished to you by my bankers in India, whose address is

Signature

bankers.

Date "

This certificate, duly signed by the claimant, may be sent direct to the Income-tax Officer along with his refund claim or to his bankers in India with instructions to pass it on to the Income-tax Officer along with the relevant dividend certificate. This arrangement will remain in force for the duration of the war.

INCOME-TAX RULES.

Dissolution of Firms and Registration after Dissolution.

On the 24th May 1941 the Central Board of Revenue issued the following notification No. 16 :—

The following draft of certain further amendments to the Indian Income-tax Rules, 1922, which the Central Board of Revenue proposes to make in exercise of the powers conferred by sub-section (1) of section 59 of the Indian Income-tax Act, 1922 (XI of 1922), is published as required by sub-section (4) of the said section, for the information of all persons likely to be affected thereby, and notice is hereby given that the draft will be taken into consideration on or after the 23rd June 1941. Any objection or suggestion, which may be received from any person in respect of the said draft before the date specified will be considered by the Central Board of Revenue.

Draft amendments.

In the said Rules—

(1) to rule 2, the following clause shall be added, namely :—

" (*e*) before the dissolution of the firm in respect of the assessment to be made on its income up to the date of dissolution " ;

(2) In paragraph 3 of the Form I annexed to rule 3, for the words " previous year were," the words " previous year were / period up to the date of dissolution will be " shall be substituted ;

(3) In sub-rule (1) of rule 4, after the words " is satisfied that there is," the brackets and words " (or was at the time of filing the application) " shall be inserted ;

(4) In rule 6, for the words, brackets and letter " or clause (*d*)" the words, brackets and letters " clause (*d*) or clause (*e*) " shall be substituted.

The Committee considered the notification in consultation with the Income-tax Sub-Committee of the Chamber and in addressing the Central Board of Revenue they stated that they objected to the proposals contained therein on the grounds firstly, that while a firm was dissolved on dissolution, nevertheless it was for practical purposes kept alive for the purpose of winding up (Section 47 of the Indian Partnership Act) and should continue to receive the benefit of registration ; secondly, that the alterations were, if not *ultra vires*, fundamentally opposed to sections 23 and

26, thirdly, that practical difficulties must intervene, e.g., a firm might be dissolved suddenly by the unexpected death of a partner, the firm having been previously registered, the shares of the partners having since been altered and no formal document executed evidencing the new shares, at the time of the death; fourthly, the existing rule, as regards this aspect, worked well in practice.

The Committee also strongly advocated an alteration to rule 2 so as to provide against the case of a partner having to sign personally where such partner was on active service with one of His Majesty's Forces or where he was permanently resident outside India. An application should be sufficiently signed by him if it was signed on his behalf by a duly constituted attorney. It was obviously impracticable to have the application signed personally in these times in such circumstances.

On the 18th October 1941 the following notification No. 24 was issued publishing revised amendments of the Income-tax Rules. These amendments did not, however, go quite as far as the Chamber had suggested :—

In exercise of the powers conferred by sub-section (1) of section 59 of the Indian Income-tax Act, 1922 (XI of 1922), the Central Board of Revenue directs that the following further amendments shall be made in the Indian Income-tax Rules, 1922, the same having been previously published as required by sub-section (4) of the said section, namely :—

In the said Rules—

(1) to rule 2 the following shall be added, namely :—

" or

(*c*) before or after the dissolution of the firm in respect of the assessment or assessments to be made on its income up to the date of dissolution :

Provided that where an application is made under clause (*c*) after dissolution of the firm, it shall be signed by all persons who were partners in the firm immediately before dissolution and by the legal representative of any such person who is deceased " ;

(2) In rule 3—

(*a*) after the words " by all the partners " the words

" or where the application is made after dissolution of the firm,

by all the persons referred to in the proviso to the said Rule," shall be inserted;

(*b*) in paragraph 3 of Form I annexed to the said rule, for the words " previous year were " the words

" previous year were / period up to the date of dissolution were/will be "

shall be substituted;

(*c*) to the note below the said form, the following shall be added, namely :—

" or where the application is made after dissolution of the firm, by all persons who were partners in the firm immediately before dissolution and by the legal representative of any such person who is deceased " ;

(3) in sub-rule (1) of rule 4 after the words " is satisfied that there is " the words " or was " shall be inserted;

(4) in rule 6—

(*a*) after the words " all the partners of the firm " the words

" or where the application is made after dissolution of the firm, by all persons who were partners in the firm immediately before dissolution and by the legal representative of any such person who is deceased " ;

(*b*) for the words, brackets and letter " or clause (*d*) ", the words, brackets and letters, " clause (*d*) or clause (*e*) " shall be substituted;

(*c*) to the note below the form annexed to the said rule, the following shall be added, namely :—

" or if made after dissolution of the firm, by all persons who were partners in the firm immediately before dissolution and by the legal representative of any such person who is deceased."

On the 18th October 1941 the Central Board of Revenue also issued a further notification No. 23 publishing the following draft amendments to the Indian Income-tax Rules:—

In the said Rules—

(1) In the form set forth in rule 6, after paragraph 2 and above the brackets and word " (signatures) ", the following paragraph shall be inserted namely :—

" 3. We do hereby further certify that the profits (or loss if any) of the previous year were / period up to the date of dissolution were/will be divided or credited as shown below :

Particulars of the apportionment of the income, profits or gains (or loss) of the business, profession or vocation in the previous year or the period up to the date of dissolution between the partners who were entitled to share in such income, profits or gains (or loss).

Name of Partner.	Address.	Date of admittance to partnership.	(i) Interest on capital or loans (if any).	(i) Salary or commission from firm.	(ii) Share in the balance of profits (or loss) (annas and pies in the rupee).	Remarks.
1	2	3	4	5	6	7

Note.—(i) If the interest, salary and/or commission is payable (or allowable) only if there are sufficient profits available this fact should be noted by marking the items in the appropriate columns with the letter "R". (In other cases the interest, salary and/or commission may exceed the total profits so as to leave a balance of net loss divisible in column 6.)

(ii) If any partner is entitled to share in profits but is not liable to bear a similar proportion of any losses this fact should be indicated by putting against his share in column 6 the letter 'P'.";

(2) In rule 6A, after words "the application is in order", the words "and that there is a firm in existence constituted as shown in the instrument of partnership" shall be inserted.

In addressing the Central Board of Revenue the Committee stated that they had no special remarks to offer on the draft amendments but they were unable to understand the attitude of the Central Board of Revenue in regard to the registration of partnerships after dissolution. As pointed out previously by the Chamber when commenting on the amendments of the Rules as proposed in notification No. 16 dated the 24th May 1941 a firm though dissolved was nevertheless kept alive on dissolution for the purpose of winding-up (section 47 of the Indian Partnership Act) and it should therefore continue to receive the benefit of registration. The Central Board of Revenue appeared to be under the impression that on dissolution a firm could no

longer be treated as a registered firm. The Committee considered that the impression, if held, was wrong and they suggested that instead of leaving the matter in its present condition, steps should be taken to clear any doubt there might be on the point by making such amendments in the Income-tax Rules, or, if considered necessary, the Act, as would provide that although a firm might be dissolved on a particular date the deed might still be registered in respect of income up to the date of dissolution and, thereafter, during the period of winding-up.

INCOME-TAX ON ALLOWANCES PAID TO EX-EMPLOYEES ON MILITARY SERVICE.

The following memorandum C. No. 35(4) I. T./41 was issued by the Central Board of Revenue on the 6th September 1941 :—

" The following instructions should be observed by employers in deducting income-tax from the allowances paid by them to their former employees serving with His Majesty's Forces and receiving, while so employed, an allowance from their former employers :—

(*i*) *Men who have proceeded overseas.*— Indian income-tax is not payable on allowances given by former employers to persons on Military, Naval or Air Force service while such persons are serving overseas unless such amounts are either received in British India, e.g., by credit to their accounts or as payment to their families.

In the latter case income-tax should be deducted at the appropriate rate applicable to the estimated total income under the head "salaries" on so much of the amount as is credited to their account or is paid to their families here. Since they are ordinarily British subjects, it is not necessary to deduct tax at the maximum rate as required by section 18 (2B). As far as possible their military pay should be taken into account in determining the appropriate rate of tax.

(*ii*) *Men serving in India.*—Deduction should be made under section 18 (2) at the appropriate rate applicable to the estimated total income under the head " salaries " including their military pay.

(*iii*) The amounts paid by former employers by way of allowances to former members of their staff employed in His Majesty's service as also the employers' contribution to a recognised provident fund will be allowed in the employers' assessment.

INCOME-TAX.

Depreciation and Obsolescence.

At the annual meeting of the Associated Chambers of Commerce of India held in December 1940 the following resolution was adopted :—

"That this Association urges upon the Government of India the need for an immediate amendment of section 10 (2) (vii) of the Indian Income-tax Act so that when a loss is incurred through the sale of a building or furniture, or through these becoming obsolete, such losses will be allowed as a deduction from income."

With reference to the above resolution the Punjab Chamber of Commerce drew the attention of the Associated Chambers to an aspect of the case which they considered had probably been overlooked. They pointed out that the Act as it stood at the moment stipulated, as a *quid pro quo* for the concession given as regards obsolescence on plant and machinery, that any surplus over the depreciated value realised on the sale of such an asset should be liable to tax and if the resolution adopted by the Associated Chambers of Commerce was accepted by Government, the second proviso to section 10(2) (*vii*) would also presumably apply to buildings and furniture in which case, it would, it was pointed out, operate harshly in certain circumstances, of which the following example was given.

A member company of the Punjab Chamber was reconstructed in 1934, as a result of the splitting up of its India and Burma interests respectively into two new companies ; the Indian company took over at a nominal figure certain properties, formerly worked as factories but which due to changed conditions had been moribund for many years. In this way, the assessable profits were relieved of a certain amount of normally allowable depreciation and Government benefited accordingly, since the basis on which the allowance was given, namely, the cost to the assessee, had been considerably reduced. These properties, it was stated were being gradually realised and the proceeds credited to the company's capital reserves, and it was

claimed that this policy was formulated and taken into account when the working capital was allocated between the two new companies at the time of the reconstruction, at which time the possibility of such additional capital being liable to taxation was not even remotely considered. The position at the moment was stated to be that the surpluses realised on the sale of the member company's old machinery were being taxed and that if the resolution of the Associated Chambers of Commerce was accepted, this principle would be extended to buildings and furniture, the sale value of which might be considerable. It was felt that it was not the intention of Government to tax such surpluses and that it would not be denied that to do so would be inequitable, particularly having regard to the benefits already derived by Government revenue as explained above. It was therefore suggested that the following point might be submitted to Government by the Associated Chambers :—

"That surplus realisations on the sale of capital assets shall only be liable to taxation if they are credited to the profit and loss account of the assessee or otherwise made available for distribution to the proprietors in cash or kind."

It was argued that as the reduction in the book value of the company's assets was effected mainly by reduction of the shareholders' funds (capital and reserves) and not by depreciation met from profit, and allowed for tax purposes, the subsequent profit was of a capital nature and represented a slight return to the shareholders for what they surrendered at the time of reconstruction. Accordingly what was asked for was that whereas obsolescence allowance was only admissible if the loss was actually written off in the company's accounts—so *per contra*, any surplus realised on sale of capital assets should only be taxable if credit was taken for same in the profit and loss account, or further, if it was made available for distribution to the proprietors in cash or in kind.

The Committee informed the Associated Chambers that the proposal of the Punjab Chamber had, in their

view, not the slightest chance of being accepted by Government for the reason that in effect it would operate to give the assessee benefit both ways. The Committee did not, therefore, favour its submission to Government.

As the proposal of the Punjab Chamber was rejected by a substantial majority of the votes of the constituent Chambers no further action was taken by the Associated Chambers.

At the annual meeting of the Associated Chambers held at Calcutta on the 15th December 1941 the following resolution was moved by the Bengal Chamber and adopted unanimously :—

" This Association again urges upon the Government of India the need for an early amendment of section 10(2) (vii) of the Indian Income-tax Act so that when losses are incurred through the sale of a building or furniture, or through these becoming obsolete, such losses will be allowed as a deduction from income."

INCOME-TAX IN RESPECT OF PROPERTY.

Collection Charges.

In March 1941 the Contral Board of Revenue issued a notification under which it was proposed to amend rule 7 of the Indian Income-tax Rules so as to diminish the annual value of property by the amount allowed for vacancies, the collection charges being allowed on this diminished value. In July 1941, however, the Chamber was informed that on reconsideration the Board had decided not to amend rule 7 but that the Income-tax Officer would normally act on the assumption that collection charges were proportionately diminished owing to vacancies, unless the assessee could satisfy him to the contrary.

INCOME-TAX.

Payment to Government of Earmarked Income-tax and Super-tax Amounts.

In March 1941 the Government of India drew the attention of the Chamber to a suggestion that business concerns which had earmarked sums with their bankers

for Excess Profits Tax and Income-tax might like to pay these in advance as a measure of temporary but valuable assistance to the national finances. The Government of India considered that the proposal afforded the simplest and best method by which business concerns could render assistance in respect of these earmarked sums and requested the Chamber to recommend this for acceptance by members. It was pointed out, however, that it must definitely be understood that the amount of any such advance payment would not be construed by the Income-tax Department as an admission of the amount due and there would be immediate refund of the balance, if any, after assessment. The Government of India also instructed their officers that in cases where such advance payments were made, they were not to delay making assessments on the ground that there was little additional revenue to be obtained from them.

The Government of India's suggestion was brought to the notice of all members and it was understood that several had complied with the recommendation. A sum of Rs. 6,500 was credited to the Government of India's account with the Reserve Bank of India, being an estimate of the amount due by the Chamber for income-tax and super-tax for the years 1939 and 1940.

EXCESS PROFITS TAX ACT—SCHEDULE II.

Computation of Capital.

(*See Report* 1940, *page* 83.)

The correspondence that took place in 1940 between the Central Board of Revenue and the Chamber regarding the computation of capital under the Excess Profits Tax Act is recorded in pages 83 to 88 of the report for that year.

In replying to the Chamber's representation the Central Board of Revenue stated that the method recommended by the Chamber need not necessarily give better

results in all cases than the existing method, or even in the majority of cases. Taking the case of general plant and machinery by way of example, for which the old and new rates of depreciation were 5 per cent. and 7 per cent. respectively, and assuming that the cost at commencement of the year 1934-35 was Rs. 1,00,000, the ' standard period ' 1935-36 and the ' chargeable accounting period ' 1939-40, the following figures were obtained :—

Method suggested by the Chamber.

Rs.	
7,018	allowance for depreciation for the standard period worked back on written-down value basis from the " previous " year 1939-40.
5,250	allowance for the " previous year " 1939-40.
1,768	
95,000	" written-down value " for capital purposes corresponding to above depreciation allowance for the standard period.
71,067	" written-down value " for the chargeable accounting period.
23,933	

Taking 10 per cent. as the appropriate statutory percentage the net effect worked out to Rs. 4,161 (1,768 + 10 per cent. of 23,933).

Method approved.

Rs.	
7,018	allowance for depreciation for the standard period as before.
5,250	allowance for depreciation for the chargeable accounting period.
1,768	
95,000	capital value on basis of existing legislation, i.e., income-tax written-down values for standard period.
75,000	capital value on basis of existing legislation, i.e., income-tax-written down values for chargeable accounting period.
20,000	

The net effect of applying the same statutory percentage was Rs. 3,768 (1,768+10 per cent. of 20,000).

For these reasons the Board regretted that it could not see its way to support any amendment of the Act in the direction proposed by the Chamber.

In acknowledging the receipt of the above letter the Committee drew particular attention to the Chamber's representation in regard to the question of unabsorbed depreciation being added back to the written-down value. Though the Chamber had subsequently received two letters from the Central Board of Revenue, in neither of these had this particular point been adverted to.

The Committee considered that unabsorbed depreciation was not, in theory, part of the written-down value at all, but had, for the purpose of income-tax, been added back in order that the benefit to the taxpayer might not be lost. In this case there was no question of one taxpayer being benefited at the expense of another and in the United Kingdom the hardship would not arise as the position there was that unabsorbed depreciation (wear and tear allowance) was carried forward indefinitely.

It arose in India only because of the change over to the U. K. system which, it was understood, was made, among other reasons, on the grounds that the Government of India could not afford to allow carry-forward of losses unless the unabsorbed depreciation up to that date was added back to the capital value of the assets, so that the benefit therefrom to the taxpayer would be spread over many years. The Committee requested the Central Board of Revenue to give further consideration to this point.

The Central Board of Revenue did not, however, alter their decision to retain the existing method of computation as they considered that, if by reason of losses occurring in the intervening years there was substantial unabsorbed depreciation to be added to the written-down value for the

chargeable accounting period but none for the standard period, the decrease in the capital employed in the chargeable accounting period would be greater still if the Chamber's proposal were accepted.

The Committee were of opinion that the method adopted by Government was wrong in principle but in the circumstances it was considered that the best course would be for taxpayers who were adversely affected to make that the basis of an application to the Central Board of Revenue.

EXCESS PROFITS TAX ACT—RULE 5, SCHEDULE I.

Borrowed Capital.

When Mr. J. F. Sheehy, Member, Central Board of Revenue, visited the Chamber in July 1941, his attention was drawn to the alteration made by the United Kingdom Finance Act, 1941, whereby all increase in borrowed money was treated as capital, likewise all borrowed money, where the standard of percentage was adopted as the standard profits. It was suggested that the same concession be given in India and for the same reason.

Subsequently in addressing the Finance Department of the Government of India on the subject the Committee drew attention to the following extract from the Budget speech of Sir Kingsley Wood, Chancellor of the Exchequer in the United Kingdom, while introducing the Budget for the year 1941-42 :—

"Where increased profit arises from the extension and development of a business, involving the introduction of fresh capital, the existing allowance for new capital calls, I consider, for review. In the case of the ordinary trading company which employs increased capital of its own in developing and extending its business, an addition is made to the basic standard of 8 per cent. on the increase of the capital, but there is no analogous allowance in respect of borrowed capital. Interest on borrowed capital is allowed as a deduction in computing the profits but there is no allowance for the business risk involved in the extension or development."

The Chancellor of the Exchequer went on to say that he proposed to meet the situation by providing that increases of capital and capital of new business should be computed by reference to the total capital employed whether owned or borrowed. It was, therefore, likely that in the United Kingdom the distinction in question had already been done away with.

The Committee suggested that the extension of the relief in the manner indicated was of particular importance in India as the provision of capital by managing agents and by fixed deposits were widespread methods of raising funds to which there was no counterpart in the United Kingdom. The existing rule was working harshly not only from the point of view of the smaller industrial undertakings which could not get adequate facilities from banks or bankers but also from the point of view of small depositors.

The Committee urged Government therefore to introduce an Amending Bill on the lines of the practice adopted in the United Kingdom.

The Excess Profits Tax Adviser to the Central Board of Revenue informed the Chamber in reply that the question whether parallel action was called for in India was receiving the attention of the Board.

EXCESS PROFITS TAX ACT, 1940.

AMENDMENT.

A Bill was introduced in the Legislative Assembly on the 14th March 1941 the main object of which was to amend the Excess Profits Tax Act, 1940, for the purpose of providing for the consequences of a change in the period of charge and the rate of Excess Profits Tax. Clause 3 of the Bill provided for charge of the tax at the original and the increased rates, respectively, for the parts of a chargeable accounting period falling before and after the end of March, 1941. Clause 4 provided for the setting off of deficiencies and gave the assessee a claim to have a deficiency

occurring in a period after the end of March, 1941, set off against an excess occurring in a period after the end of March, 1941. The clause also provided that for this purpose a previous set off against an excess occurring in a period before the end of March, 1941, might be cancelled.

The Bill was passed on the 28th March, 1941. It received the assent of the Governor-General on the 31st March, 1941 (Act XI of 1941).

EXCESS PROFITS TAX (SECOND AMENDMENT) BILL.

On the 18th October 1941 a Bill was published in the *Gazette of India* which had for its object the further amendment of the Excess Profits Tax Act, 1940 (L.A. Bill No. 27 of 1941).

The main object of this Bill was to meet the widespread objections to the discrimination, as regards the treatment of borrowed money as capital, between money borrowed from a person carrying on a *bona fide* banking business and money borrowed from any other person. Opportunity was taken at the same time to strengthen the provisions dealing with devices for avoiding or reducing liability to Excess Profits Tax, to provide relief for the premature exhaustion of mineral deposits owing to the war-time requirements, and, following the Income-tax (Amendment) Bill, to provide for the exemption of businesses and of parts of businesses the profits of which accrued or arose in an Indian State.

The following telegram was despatched to the European Group in the Central Legislature :—

"Consider date of commencement of Excess Profits Tax Second Amendment Act should be made clear particularly regarding clause 3. Clause 5 follows U.K. 1941 Finance Bill but Parliament limited application to cases where main purpose was tax evasion. Clause 7 approved but suggest concession for companies who apply profits in reduction of borrowings as previously they increased their capital thereby as explained by Whitby to James."

In confirming the despatch of the above telegram the Committee pointed out that the amendment proposed by the Bill would hit companies that had applied profits in repayments of debentures and other borrowed money, as this would no longer increase their capital. The Committee requested the Group to see whether any concession could be obtained for such companies. Formerly this application of profits increased their capital employed in their business by reducing the liabilities to be deducted from the assets, but the effect of the amendment proposed by the Bill would be to treat such repayment of borrowed money as equivalent to a dividend to shareholders.

Clause 5.—This was copied from clause 26 of the United Kingdom Finance Bill, 1941. There was, however, an important change in the United Kingdom Finance Act, as finally passed in that the words " the purpose or one of the purposes " had been altered to " the main purpose " (section 35).

The Bill was referred to a Select Committee, whose report was issued on the 5th November 1941.

Clause 3.—Government agreed that it was necessary to make provision for the fixing of the date of commencement of the Bill and accordingly a change was made making it clear that clause 3 would come into force in respect of 1942-43 assessments.

Clause 5 (*new clause* 6).—Government accepted the recommendation of the Chamber and substituted the words " the main purpose " for the words " the purpose or one of the purposes."

Clause 7 (*new clause* 8).—Government did not accept the suggested concession for companies who applied profits in reduction of borrowings.

The Bill as amended was passed by the Legislature and received the assent of the Governor-General on the 26th November 1941 (Act No. XXIV of 1941).

BRITISH INDIAN EXCESS PROFITS TAX AND BURMA INCOME-TAX.

In August 1941 the Chamber on the suggestion of a member approached the Associated Chambers of Commerce of India recommending that the Government of India might be requested to take steps to make Burmese income-tax an admissible charge for British Indian Excess Profits Tax to the extent to which it is not recoverable by means of double income-tax relief.

It was subsequently intimated to the Chamber that the Bengal Chamber had addressed the Central Board of Revenue recommending that an endeavour should be made to get the Burma Government to grant relief on the income which would be assessed in both countries if there was no Excess Profits Tax in one. The Central Board of Revenue, however, informed the Bengal Chamber that it was considered that the initiative in this matter should not be taken by the Government of India. Since the grievance referred to concerned the basis of computation of the liability to Burma income-tax, appropriate action would be the submission of the question in specific form to the Government of Burma. The Associated Chambers therefore asked the Burma Chamber for an indication of the best method of approach to the Government of Burma.

SEA CUSTOMS ACT, SECTION 30—REAL VALUE.

Breakage Risk Insurance.

(*See Report* 1940, *page* 120.)

It was recorded in the Chamber's Report for 1940 that the Chamber had been requested to give a ruling whether the Customs were entitled to include in the " real value " for purposes of assessment to customs duty the insurance premium on account of breakage insurance.

In reply the Committee stated that in their opinion breakage risk insurance should not be taken into consideration by the Customs authorities when calculating " real

value." In 1927 the Customs ruled that "real value" consisted of the cost of the goods with all charges for freight, insurance, packing, commission and interest. The Customs authorities had ruled that war risk insurance was not to be taken into consideration and on the same analogy this should also apply to breakage risk insurance. Marine insurance was a risk not usually carried by traders and it was invariably passed on to underwriters and therefore could correctly be judged as an item in the "real value."

Subsequently it was brought to the notice of the Committee that in replying to a member on the question, the Calcutta Customs authorities had stated that insurance against breakage appeared to be one of the ordinary charges in common trade and as such should be included in the landed cost of the goods for the purpose of assessment under section 30 (*b*) of the Sea Customs Act. In view of this reply the Committee in July 1940 addressed the Collector of Customs, Bombay, in the matter and pointed out that in their opinion the Customs authorities were not justified in including breakage risk insurance for the purpose of ascertaining the real value as defined in section 30 of the Sea Customs Act. In their view duty should be assessed only on the c.i.f. price, i.e., including ordinary marine insurance and freight. Breakage insurance applied only to particular classes of goods and as it was not obligatory on the importer to insure against risk of breakage, such goods could always be imported without being insured, thus affecting the final cost. On the other hand, as stated above, marine insurance affected practically all cargo and was a risk not usually carried by traders. It was invariably passed on to underwriters and, therefore, was judged as an item in the real value. The Collector of Customs replied that he was instituting inquiries at other ports in the matter and would address the Chamber again as soon as a final decision was reached. He subsequently stated that the practice of including breakage insurance charges, when incurred, in computing the real value under section 30 (*b*) of the Sea Customs Act was correct, as such charges formed part of

the landed cost of the goods, and added that this practice was in force and was held to be correct at the other ports in India.

The Committee then addressed the Central Board of Revenue in the matter, who in reply pointed out that the real value under clause (*b*) of section 30 of the Sea Customs Act was " the cost at which goods of the like kind and quality could be delivered " at the place of importation, i.e., the cost of delivery not of any particular consignment of the goods but of similar goods. Where, in respect of any class or kind of goods, it was the practice to insure them against the risk of breakage, etc., the cost of such insurance would, therefore, be included in the " real value."

Whilst breakage insurance might not be compulsory the risk was one which had to be taken and it therefore constituted an element in the cost at which the goods could be delivered, whether the risk was covered by insurance or not, and whether or not that risk materialised. If the risk materialised it was possible to obtain a corresponding abatement of duty, i.e., duty was levied only on the unbroken portion of the consignment (section 33, Sea Customs Act). Clearly, however, the cost of the unbroken portion must include at least the cost of insurance against breakages for the whole consignment even though the risk might have been borne by the importer whose loss might be greater or less than the insurance premium. Similar considerations applied when there were no breakages ; the cost of the risk must still be met.

In view of the above reply the Committee decided to accept the existing position.

WAR RISK INSURANCE CHARGES.

Refund of Customs Duty.

(*See Report* 1939, *page* 118 ; 1940, *page* 120.)

In February 1941 the Karachi Chamber of Commerce addressed the Central Board of Revenue in connection with a case where duty had been levied on the full invoice value

as the invoice did not show war risk insurance separately, and the claim for refund, when the revised invoices were received, was not granted by the Collector of Customs as three months had passed since the duty was originally paid. The Karachi Chamber requested the Board to consider the advisability of extending the limit allowed under section 40 of the Sea Customs Act to, say, six months, until the delivery of the mails returned to normal.

The Central Board of Revenue replied that it was prepared to consider favourably the request of the importers for a relaxation of the time limit in respect of the consignment in question if they submitted their application through the Collector of Customs and added that the Government of India did not see any strong reason to justify a general relaxation of the time limit under section 40. Individual cases where the time-bar was regarded to operate harshly in existing circumstances might, however, be referred to the Board.

DUTY ON IMPORTED TINPLATE.

(*See Report* 1926, *Vol. I, page* 176 ; 1940, *page* 122.)

It was recorded in the Chamber's Report for 1940 that in replying to a reference from the Associated Chambers of Commerce of India the Committee had stated that they considered that the case of the duty on imported tinplates was one of those where the war had transformed a reasonable measure of protection into an unreasonable burden on the consumer, and that in view of the fact that imports from England were rapidly declining and the indigenous industry was unable to fulfil the demand made on it, there could be no cause for complaint if a request were made for reduction in the import duty on supplies from foreign countries.

The President of the Associated Chambers, however, decided that as the majority of the constituent Chambers was against representations being made to the Government of India it was not open to him to take the action recommended.

In April 1941 the Associated Chambers submitted for the views of this Chamber a further letter that had been received from the Upper India Chamber pointing out that as the only factory in India manufacturing tinplate was no longer in a position to meet the country's demand for this material it would appear that the protective duty on imports of tinplates was no longer justified, particularly since, because of the war, it was not now possible to obtain tinplate from the British Empire at the preferential rate of Rs. 44 per ton. The Upper India Chamber suggested that the Associated Chambers should recommend to the Government of India that a substantial reduction should be made immediately in the existing rate of import duty (Rs. 65 per ton) on tinplate from foreign countries, at any rate, during the period of the war.

The Committee informed the Associated Chambers that they were in favour of supporting the proposal of the Upper India Chamber but emphasised the fact that their support was only forthcoming on the definite understanding with Government that this reduction was for the period of the war only and that a protective duty would be re-imposed immediately on the conclusion of hostilities.

The Chamber was subsequently told that the Associated Chambers had addressed the Government of India in the matter. Government, however, while regretting that the Indian canning industry should have been handicapped at this stage of its development by the shortage of tinplates required by it, observed that the prevailing high prices of tinplates had already brought down the *ad valorem* incidence of the specific protective duty on United States of America plates to a level below the general rate of duty on unprotected iron and steel materials. In the circumstances, the Government of India did not feel justified in lowering the rate of duty on imports from the United States of America, a measure which would do nothing to remedy the shortage of tinplates.

INDIA-BURMA TRANSFERS.

Customs Duty on Household Effects and Motor Cars.

In December 1941 the Associated Chambers of Commerce of India requested the views of this Chamber on a suggestion of the Chittagong Chamber that the support of the Association might be given to a representation which had been addressed to the Collector of Customs, Calcutta, recommending that an amendment should be made in the "Transfer of Residence" Rules under which the household effects of a passenger arriving either in India from Burma or *vice versa* would be liable to duty both in India as well as in Burma unless that passenger was on a *bona fide* transfer of residence and had resided out of the country he was entering for a period of more than three years continuously. It was recommended that the time limit of three years should not be made to apply to employees who were on official transfer in pursuit of their occupation and provided a certificate was provided to that effect by their employers. It was also recommended that the cars of such employees should be allowed the benefit of the rules as amended.

The Committee supported the above recommendations and were subsequently informed that the Government of India had relaxed the existing rules to the extent of reducing the three years' limit to two years in respect of persons coming to India from Burma on a transfer of residence.

CLOSING OF THE CUSTOM HOUSE ON BANK HOLIDAYS.

In view of representations received by the Chamber the Committee addressed the Bombay Port Trust in May 1941 drawing attention to the fact that during the recent Easter holidays, the Custom House was closed for business on five consecutive days, viz., the 10th, 11th, 12th, 13th

and 14th of April, 1941, although the Port Trust was closed only on Good Friday the 11th and Sunday the 13th of April.

A convoy of steamers carrying goods from the United Kingdom arrived in Bombay and owing to the fact that the Customs were closed to business, importers were unable, in many cases, to take advantage of the five " free " days allowed by the Port Trust from the date of arrival of a ship for the delivery of goods. Clearing agents found it impossible to clear all the shipments entrusted to them within the five " free " days and as the delays that arose were the result of conditions brought about by the war, the Committee inquired whether the Port Trustees could see their way to refund two-thirds of the extra fees paid or payable on these shipments.

The Committee at the same time addressed the Central Board of Revenue in the matter and pointed out that clearing agents found it most difficult to effect the clearance of goods on the days immediately succeeding the Easter holidays due, in the first place, to the very heavy congestion in the Appraising Department preventing the Appraisers from being able to cope with all the bills of entry handed to them and, secondly, the congestion in the landing sheds in the docks which caused considerable delay and difficulty in tracing packages.

The Committee stated that the arrival of a number of steamers at one time was normally apt to create confusion and delay, but when heavy arrivals coincided with Custom House holidays over a consecutive period of five days these conditions became intolerable. Business houses had been compelled to adjust their routine and curtail all holidays, and it was considered entirely against the common interest for the staff of the Custom House to continue to take every holiday in war-time despite the heavy work and accumulations existing. The Committee therefore urged that during the existing abnormal war conditions, the Custom House holidays should be curtailed to coincide with

those of the Port Trust, that is to say, the staff should be permitted to take the official " closed " holidays only.

In connection with the above the Committee also addressed the Collector of Customs and pointed out that in addition to the inconvenience caused to the trade through the closing of the Customs House on bank holidays on which the docks were open, there were certain procedures at the Custom House which in their cumulative effect had a tendency to increase shipping charges, to add considerably to the difficulties of shippers and also to retard the speedy turn-round of vessels.

One of the sources of delay and sometimes thereby the cause of cargo not being shipped, was the difficulty experienced in obtaining export licences. With the existing shortage of tonnage space it was often impossible to give all the details required in applications for licences, more especially, of the name of the steamer by which it was intended to ship the goods. As the licence would only be issued in respect of shipment by a particular steamer, exporters often found it difficult, in the short time available after the steamer was named, to obtain the licence with the result that it was sometimes impossible to ship the cargo, especially if the steamer was allowed only a couple of days for loading, and the whole procedure of making further application had to be gone through again when the next steamer was made available.

The Committee also stated that there would appear to be considerable room for improvement in connection with the examination of export cargo. Owing it was believed, principally to the shortage of examination staff, steamship companies were put to avoidable expenditure due to the slow examination by day and the resultant large number of examiners who had to be engaged for night overtime duty. The docks were opened and steamers started work at 8 a.m. but the examiners did not attend office until 10 a.m. and were often not available on a steamer until 11 a.m.

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In the case of shipments of "bond" cargo it was seldom possible to obtain the services of a preventive officer to accompany the cargo to the ship immediately it was ready and delays in shipment occurred on this account.

In July 1941 intimation was received from the Collector of Customs that the Central Board of Revenue had agreed to the Custom House being kept fully open on bank holidays from 10-30 a.m. to 2-30 p.m. as on a working Saturday. It was mentioned that if there were two or more consecutive holidays, payment in cash might be accepted only on the first of these holidays. Payments by acceptable cheques or by debit to deposit accounts might be accepted on all bank holidays. Cash payments might be accepted on all such holidays if tendered *bona fide* urgent or special cases.

Regarding the Chamber's complaint of difficulty experienced in obtaining export licences, the Collector pointed out that the Export Trade Controller had notified that applications for licences to export goods were required to be made in the combined form of application and licence and although the form required the particulars such as name of ship, port of unloading, etc., to be given, they were to be furnished only if known, and provision had also been made for advance licences to be granted in certain cases.

The Collector also stated that the number of officers posted for examination of import or export cargo was increased according to requirements but it had been reported that steamer agents generally did not issue full carting orders sufficiently in advance before the departure of the vessel. In consequence there was a rush of cargo a day or two prior to the departure of the vessel and the examining staff found it difficult to cope with the examination of a large volume of export cargo within a limited period. The Collector pointed out that if the staff was increased so as

to be sufficient for occasional peak periods, such extra staff was not likely to be required and would be idle at other periods.

As regards the complaint that, in the case of shipments of " bond cargo " it was seldom possible to obtain the services of a preventive officer to accompany the cargo to the ship immediately it was ready, the Collector stated that instructions had been issued to dispense with the system of a preventive officer supervising only the shipment covered by a particular application and in future preventive officers would escort large convoys and this, it was hoped, would speed up the work.

In acknowledging the receipt of the Collector's letter the Committee drew attention to the fact that steamer agents would be only too pleased if they could complete all carting orders before the arrival of the steamer in dock, or expedite the issue of them subsequent to the arrival of the steamer. Unfortunately this power did not lie entirely in the hands of the steamer agents. Carting orders could only be given where there was space in the sheds for the goods to be accommodated and at the present moment the congestion in the sheds was such that in the majority of cases carting orders could not be granted until a short time before the steamer sailed, as every effort was made to obtain expeditious despatch of all vessels.

The Committee noted the Collector's reference to " peak periods " and his suggestion that if the staff was increased to cope with " peak periods " such staff would be unemployed at other times. The Committee suggested that it was far more important to get rapid loading and rapid turn-round of steamers at the present time than to save the salaries of a few members of the examination staff. It must be realised that owing to the close Government control over all shipping, Government had an extensive financial interest in such shipping and that the holding up of a vessel in this port for minor administrative reasons might cost

the steamer agents a considerable sum of money when it was remembered that a normal sized vessel cost £500 a day and such charges would in all probability eventually be paid by Government.

In view of the foregoing, the Committee expressed a hope that the Collector would give reconsideration to this matter.

Subsequently the Collector informed the Chamber that with a view to ensuring that there was no unavoidable delay on the part of the Customs staff, the various sheds, where work was being carried on were visited daily including Sundays and holidays by the Assistant Collector of Customs in charge of outdoor duties, and arrangements to meet any exigencies were put into effect. The Collector suggested that if in any particular case any difficulty was experienced in obtaining staff, a reference to the Assistant Collector by telephone might be made even after office hours.

In November 1941 the Collector of Customs issued a further Notice modifying the orders regarding the keeping fully open of all departments of the Custom House on bank holidays from 10-30 a.m. to 2-30 p.m. as on a Saturday.

It was stated that the Central Board of Revenue had reconsidered this question as the result of representation received by it. Consistent with the general requirement that the Custom House must during the war be open to deal with all Customs matters without the considerable breaks that were liable to occur if the normal schedule of holidays was observed automatically, the Board was anxious to avoid interference with the customary religious observances, etc., and that the staff should continue to enjoy reasonable opportunities for relaxation.

It was not intended that all gazetted holidays should be treated as working half-days. The principal festival days of the several communities which were gazetted holidays should be observed by the Custom House as general holidays

subject to the condition that the Custom House should ordinarily not observe as holidays more than two days consecutively.

In accordance with the above decision of the Board it was decided to keep the Custom House fully open only on the following bank holidays during 1941 and 1942 from 10-30 a.m. to 2-30 p.m. (S.T.), as on a working Saturday. Bills of entry, shipping bills and other documents would be accepted up to 2 p.m. (in urgent cases up to 2-30 p.m. with the permission of the Assistant Collector concerned). Payments in cash would be accepted up to 1 p.m. and in acceptable cheques or by debit to Personal Deposit Accounts up to 1-30 p.m. only :—

Day following Xmas day	Friday, 26th December, 1941. 1942.
Easter	Saturday, 4th April.
Do.	Monday, 6th April.
Parsi New Year	Friday, 4th September.
Divali	Monday, 9th November.
Day following Xmas day	Saturday, 26th December.

On all other bank holidays the Custom House would be closed for business, but due provision would be made in certain departments as in the past for emergent work from 10-30 a.m. to 2 p.m. (S.T.). Any application for extra staff on such holidays would be complied with if made in writing to the head of the department concerned not later than 4 p.m. on the previous working day.

In addressing the Central Board of Revenue on the subject the Committee pointed out that under the new instructions the Custom House would be open on only five of the bank holidays during the year 1942. The Committee regretted this alteration as they considered that Custom House facilities should, as far as possible, be available daily in order to assist the quick turn-round of shipping as a war-time measure. The Committee added that if, however, Government were not prepared to continue with the original arrangement, they recommended that the Custom House

should at least remain open on all holidays other than holidays under Charter Parties. The Committee requested the Central Board of Revenue to reconsider the matter.

LICENSING OF MUCCADAMS AND CLERKS FOR CUSTOMS WORK.

(*See Reports* 1938, *page* 83 ; 1940, *page* 129.)

It was recorded in the Report for 1940 that in commenting on a proposed scheme of badges for clearing agents and dalals and their clerks who transacted customs business at the Custom House, the Chamber requested the Collector of Customs to define a special procedure to cover private individuals who desired to clear shipments themselves. The Collector in reply stated that the provisions of sections 202 and 203, Sea Customs Act, did not provide for the issue of any authorisation or passes to private individuals who cleared their own goods. No check by the Custom House was necessary or possible beyond ascertaining that it was their own goods which they were clearing and that the goods did not belong to third parties and that they were not acting as agents.

If, however, such owners of goods employed clerks for regularly clearing their goods, their clerks would require permits as provided for in the second clause of section 203, Sea Customs Act, and would also be required to obtain and show the prescribed badges if the rules regarding such badges were eventually made applicable to permit holders under that clause of section 203.

TARIFF VALUATIONS—EXPORT.

Annual Revision.

In accordance with the usual practice the Director-General of Commercial Intelligence and Statistics met representatives of the Chamber on Wednesday, 19th November 1941, and discussed with them his provisional proposals for tariff valuations for the year 1942.

TARIFF VALUATIONS.

Cess on Exports of certain Agricultural Produce.

(*See Report* 1940, *page* 120.)

It was recorded in the Chamber's Report for 1940 that it was at first proposed to fix tariff valuations in respect of commodities on which cess was leviable under the Agricultural Produce Cess Act at the time of the annual revision of the export tariff schedule and that these tariff valuations should take effect from the 1st January 1941. This was not done, however, but a meeting between the Director-General of Commercial Intelligence and Statistics and members of the Chamber interested, was held on the 31st January 1941, when a list of articles under each item for which a tariff valuation might be fixed was considered.

A further meeting was held on the 6th May 1941 when provisional proposals for tariff valuations for 1941-42 were discussed The tariff valuations came into force as from 1st July 1941.

INDO-BURMA TRADE AGREEMENT.

(*See Reports* 1939, *page* 117 ; 1940, *page* 119.)

In January 1941 the Committee supported a representation of a member urging that, in any negotiations which the Government of India carried on with the Government of Burma regarding the imposition by the latter of an import duty on flour, if such duty was to be levied on Indian flour, the existing duty on non-Indian flour should be proportionately enhanced, so that the preference enjoyed at the moment by Indian flour might not be affected.

The Government of India and Burma arrived at an agreement on the principles upon which trade between the two countries was to be regulated and Heads of Agreement were signed on the 3rd April 1941.

The following were the main points embodied in this document :—

Firstly, the signature marked the end of the pre-existent era of free trade between the two countries, and inaugurated a regime of mutual preferential treatment. As a necessary consequence the benefits of the lower preferential duties, which constituted the essence of the scheme, must be confined to goods of Indian and Burmese origin respectively.

By a notification issued on April 7, goods from Burma which were not of Burmese origin had already been rendered liable to full duty. The general principle was that goods of Indian and Burmese origin would enjoy in the market to which they were exported, a margin of preference of not less than 10 per cent. over similar articles enjoying preferential treatment when imported from the United Kingdom or from Colonies, and a margin of preference of not less than 15 per cent. over similar articles liable to duty at the standard rate.

Secondly, in a certain number of cases on both sides the contracting countries guaranteed either free entry, or entry at guaranteed maximum rates of duty. The adoption of the principle of margins of preference of 10 and 15 per cent. respectively, would in any case mean that goods dutiable from time to time at rates not in excess of 10 per cent. preferential and 15 per cent. standard when imported from other countries would enjoy free entry when imported from India or Burma, but over and above this the following concessions were granted.

Concessions to India.

(i) Burma undertook to accord free entry to the following articles : Canned fish, fruit juices, fruits and vegetables (canned or bottled), lead pencils, paper, printing paper, writing paper, coir fibre, coir yarn and coir mats and matting, glass and glassware, glass globes and chimneys for lamps and lanterns, glass bangles, glass beads and

false pearls, certain electrical instruments and instruments, apparatus and appliances other than electrical.

(ii) Burma undertook not to tax the following goods at rates in excess of five per cent :—

Potatoes and onions, coconuts, certain chemicals, drugs and medicines, magnesium chloride, toilet requisites, paints, woollen yarn, blankets and rugs and woollen hosiery.

(iii) Burma undertook not to tax the following goods at rates in excess of 10 per cent :—

Coffee, certain spices, cigars, toilet soap, woollen carpets and boots and shoes.

(iv) Lastly, the following goods, when imported into Burma would be taxable at special rates not exceeding those shown below :—

Betel nuts, 20 per cent; ale and beer, rate of excise duty for the time being in force ; drugs and medicines containing spirit, double the rate of excise duty for the time being in force ; tobacco (unmanufactured) one anna per pound ; cinematograph films (exposed) 15 per cent. (with separate tariff value for Indian films) ; silk fabrics, 15 per cent ; artificial silk fabrics, 15 per cent ; mixture fabrics, 15 per cent ; cotton knitted fabrics, 15 per cent ; electric lighting bulbs, 15 per cent.

As against these concessions, India agreed (i) that the following goods of Burmese origin should be accorded free entry.

Dyeing and tanning substances; gums, resins and lac; gums, arabic, benjamin (ras and cowrie) and dammer (including unrefined batu) and rosin ; wood and timber ; furniture and cabinetware ; tea chests and parts and fitting thereof ; cotton (raw) ; lacqueredware ; iron or steel (old) ; iron or steel ; enamelled ironware ; copper (wrought) and manufactures of copper ; copper (scrap) ; german silver

including nickel silver; aluminium; unwrought ingots, blocks and bars of aluminium; lead (wrought); lead sheet for tea chests; zinc or spelter (wrought or manufactured); tin (block); brass, bronze and similiar alloys (wrought and manufactures thereof); all sorts of metals other than iron and steel.

(ii) That the following goods would be dutiable at special rates not exceeding those shown below:—

Potatoes and onions, 5 per cent; coffee, 10 per cent. The following spices whether ground or unground, viz., cardamoms, cassia, cinnamon, cloves, nutmegs and pepper, 10 per cent; betelnuts, 20 per cent; cutch and gambier, all sorts, 5 per cent; cigars, 10 per cent; and tobacco (unmanufactured) one anna per pound.

Thirdly, it had been found necessary to regulate separately the tariff treatment of Indian cotton piecegoods exported to Burma, and of Burmese kerosene exported to India. As regards cotton piecegoods, whilst the agreement provided for a margin of preference of 7½ per cent. only against a general margin of 10 per cent. over other similar goods entitled to preferential treatment, the Burma Government pledged itself not to fix the duty on such goods at more than 10 per cent. Furthermore, the position of Indian textiles in Burma was strengthened by the retention of the quota on Japanese goods at its then existing level.

As regards kerosene, whilst the margin of preference was reduced to 9 pies as against a former margin of 11¼ pies, the Government of India obtained the right during the period of the war to impose a surcharge equal to the entire margin of preference. This surcharge came into effect on 7th April 1941.

It was also found necessary, fourthly, to deal separately with exports of timber to India and of imports of sugar into Burma. The Burma Government undertook not to impose an export duty on timber during the period of the war. Should it do so, after the war, the Government of

India would be freed from the above-mentioned obligation to allow free entry. As regards sugar, the Burma Government undertook to accord special privileges to sugar imported from India in so far as the local capacity to meet demand left a margin to be filled by imports.

Fifthly, rice and broken rice would be retained on the free list and no duty would be levied in India on these commodities coming from Burma so long as they were allowed to be imported free of duty from other countries. On broken rice the Government of India had given an undertaking that if a duty was reimposed a preference not in excess of 10 per cent. or the amount of duty whichever was less would be granted on imports from Burma.

Sixthly, as regards exports from one country to the other which were liable to excise duty, it was provided in general, that the rate of customs duty should correspond to the level of the excise duty ruling in the country of import.

Lastly, as regards the duration of the agreement, it was provided that it should run for an indefinite period, subject to the right of either party to denounce it at six months' notice.

INDIAN MERCHANDISE MARKS ACT.

AMENDMENT.

(*See Reports* 1937, *page* 87 ; 1938, *page* 53 ; 1940, *page* 111.)

It was recorded in the Chamber's Report for 1940 that the Committee after referring the Bill to amend the Merchandise Marks Act to a Special Sub-Committee, submitted certain observations on the Bill. Several amendments were made by the Select Committee which considered the Bill and it was eventually passed by both Houses of the Legislature and received the assent of the Governor-General on 11th March 1941 (Act II of 1941).

On the 27th March 1941, the following Press Note was issued by the Commerce Department of the Government of India :—

Complaints have been received by the Government of India from time to time that goods manufactured in foreign countries are sometimes put on the Indian market in such a manner as to obscure the country of origin and to pass them off as Indian manufactures.

Greater protection to Indian business and industry is now given by the Indian Merchandise Marks (Amendment) Act, which gives power to the Central Government to issue notifications, after inquiry by the Central Government either on its own initiative or on consideration of a representation from the interests concerned, requiring the marking of the country of origin in any cases where this should be found necessary.

As most of the commercial bodies in India are in favour of compulsory marking of origin on all foreign goods imported into British India, it is now for the commercial community to make representations to the Commerce Department and thus take full advantage of the facilities provided by the Act for safeguarding their legitimate interests.

In forwarding to the Chamber a copy of the above Press Note the Government of India stated that if any members wished to make an application for requiring goods to show an indication of origin they might state in their application the manner in which such indication might be applied, that was to say whether to the goods themselves or in any other manner, and the times or occasions on which the presence of the indication might be made necessary, that was to say whether on importation only, or also at the time of sale, whether by wholesale or retail or both.

In August 1941 the Government of India requested the views of the Chamber in connection with the rules which it was proposed to frame to give effect to the provisions of section 12 of the Act in regard to the marking of cotton yarn and cotton sewing or darning thread. As this question had also been referred to the Bombay Millowners' Association and as this Association included most of the members of the Chamber who were likely to be affected by the proposed rules, the Committee decided not to offer any comment.

INCORRECT OR FALSE CERTIFICATES OF ORIGIN FOR GOODS CONSIGNED TO MAURITIUS.

In January 1941 at the request of the Director-General of Commercial Intelligence and Statistics, the attention of all members was drawn to the fact that in certain cases goods shipped to Mauritius were certified by the suppliers to have been wholly produced or manufactured in British India, but actual examination showed that this certificate was not correct, since the components were of foreign origin. Typical cases were rayon piecegoods where the cloth was shown to have been woven from yarn imported from Japan. When duty was assessed at full rates and the importers were asked to produce evidence as to the 25 per cent. Empire content the claims for admission at preferential tariff rates were not persisted in.

It was obviously unfair that the local importer who had acted in good faith and who, in many cases, was able to produce evidence that he had definitely stipulated for goods of Empire origin should be penalised. The question was rather of protecting the local importer from unscrupulous suppliers in India who were only too anxious to secure business turnover at any costs.

It was pointed out that heavy penalties would be incurred in the future by local importers as a result of such methods on the part of their suppliers; penalties which would inevitably result in decreased indents for goods consigned from India.

CERTIFICATES OF ORIGIN IN RESPECT OF GOODS SHIPPED FROM INDIA TO CEYLON.

In March 1941 the attention of members was drawn to the fact that the Principal Collector of Customs, Colombo, had brought to the notice of the Department of Commercial Intelligence and Statistics the following matter, which had

been observed during the course of the normal transaction of business in his department :—

(1) Certificates of origin produced by importers in respect of goods imported from India had, in a large number of cases, been found to be incorrect : in certain cases the goods described as cotton piecegoods had, on examination, been found to be piecegoods of mixed material and in other cases the percentage of cost of Indian material and labour in respect of certain articles had been declared to be over 50 per cent. of the value of those articles which, on investigation, were found to be chiefly of foreign origin and only a small percentage of Indian labour was involved in the completion of those articles.

(2) The Collector was informed that blank forms of certificates of origin signed by manufacturers and shippers in India were in the possession of importers of Indian goods in Ceylon. When goods shipped by such manufacturers or shippers arrived in Ceylon, the importers, who had these forms, filled the necessary particulars on those forms in such manner as to enable them to pay the lower rate of duty on the goods concerned.

(3) It was also suspected that piecegoods of artificial silk woven out of Japanese yarn are imported into Ceylon as Indian piecegoods.

(4) A few cases had been detected where certain goods manufactured in India had thereon the expressions "Made as Germany", "Made as England", "Australian Butter", "Roshan Luxurious Shirt—Made from Egyptian Cotton Yarn Made in England", "Roshan Luxurious Shirt—British Celanese Yarn Products", "British Celanese Yarn Shirts", etc., without proper indication of the true country of origin. In these cases the goods were released (on recovery of penalty in certain cases) after warning the importers against such importations in future and on stamping the goods with the words "Made in India."

Exporters in India were therefore warned, in their own interests, to avoid a recurrence of cases such as those reported above as such cases were bound to affect the reputation of Indian goods in Ceylon markets, and consequently India's export trade with that country.

INACCURATE MARKING OF CLOTH EXPORTED TO EAST AFRICA.

In January 1941 at the request of the Director-General of Commercial Intelligence and Statistics, the attention of members was drawn to the fact that it had been reported to the Indian Government Trade Commissioner, Mombasa, by the Customs authorities in Kenya and Uganda and the

Indian Merchants' Chamber in Mombasa that Indian manufacturers and exporters of piecegoods stamped inaccurate dimensions on the cloth imported from India into East Africa and that in many instances among recent consignments from India the width had been under-declared by one or two inches and the length by one or two feet. It was pointed out that such under-declarations constituted an offence against the Customs laws of that country, and in the cases referred to minor penalties had been imposed on the importers for making wrong declarations. These declarations were made by the importers according to the invoices they had received from shippers in India and presumably those invoices were made out according to the dimensions stamped on the cloth by the manufacturers. The situation was reported to be very serious and it was feared that, unless the existing position was rectified, heavier penalties would be imposed by the Customs authorities to meet the requirements of the law.

Another complaint that had been made to the Indian Government Trade Commissioner by the Customs authorities and the Chamber mentioned above was regarding the unsatisfactory external marking of bales and packages from India. The consignments of goods mainly related to piecegoods and clothing. The indecipherable external markings on the packages and bales, which were apparently due to a complete disregard on the part of shippers in India of the port rules at destination, result in delay in clearing the goods from the port warehouses and involve not only waste of time but unnecessary warehouse charges. It was added that unless a considerable improvement was shown in this respect in regard to future arrivals, the Port authorities and the Customs authorities threatened to take action under the Harbour Regulations, which were as follows :—

(i) Each bale or package must have external distinguishing marks and numbers written clearly *in English*. All old marks or writings on the wrapper must be obliterated.

(ii) The invoices must show corresponding marks and numbers.

(iii) The invoices must show the gross weight of each bale or package separately.

(iv) The High Commissioner would not be liable for any loss, delay, or non-delivery of goods occasioned by insufficient or erroneous marking.

(v) When goods were insufficiently or erroneously marked, the High Commissioner, notwithstanding that all dues and charges should have been deposited or paid, might require from any person claiming such goods a special release order, signed by the ship's agent, or an indemnification against any loss or damage the High Commissioner might sustain by reason of the delivery to such person. The ordinary rent would be charged against all goods remaining on the harbour premises in consequence of such insufficient or erroneous marking.

It had been suggested by the Customs authorities in this connection that the bales and packages should have sewn on to them a new piece of canvas in the form of a label bearing clear and distinctive marks rather than that the marks be merely painted on old packages.

The above facts were brought to the notice of all members with the request that they should take such action as they thought necessary with a view to putting a stop to the practices complained of.

SHORTAGE OF RAILWAY WAGONS AND DELAYS IN THE TRANSPORTATION OF MERCHANDISE.

(*See Reports* 1937, *page* 92; 1939, *page* 95.)

On the 21st February 1941 the Indian Roads and Transport Development Association telegraphed to the European Group in the Central Legislature that it viewed with alarm the existing transport policy whereby road

transport was restricted at a time when there was a serious shortage of railway wagons which it felt might continue indefinitely and with the demands of the war might get worse. The Association pointed out that in view of war conditions the Ministry of Transport in England had decided as a matter of policy that there should be a diversion of suitable traffic to road and canal transport in order to relieve the congestion on railways. The Association added that in order to strengthen India's war effort and ensure that all forms of transport would be used to their maximum capacity it considered it essential that Government should adopt a similar policy in India.

Early in March 1941 the Committee's attention was drawn to the serious shortage of wagons occurring on various railway systems. On account of this goods despatched for delivery at Bombay by a certain date were being detained up-country and were not reaching their destinations in time for shipment. The bulk of these goods, such as linseed, groundnuts and lentils were being shipped to the United Kingdom on behalf of the Ministry of Food and the goods had to be in readiness at the port by a certain date. Representations had been made by the interested parties to the G.I.P., Bengal-Nagpur and H.E.H. the Nizam State Railway authorities requesting an adequate number of wagons, but the position had shown no improvement.

As the question of the supply of wagons was of vital importance the Committee addressed the Commerce Department and the Railway Board in the matter somewhat on the lines of the representation, referred to above, of the Indian Roads and Transport Development Association and expressed the hope that urgent action would be taken to remedy the situation.

In view of the increasing difficulties that were being experienced by the trade due to delays in the transport of merchandise, a joint meeting of the Chamber, the Indian Merchants' Chamber, the Bombay Millowners' Association,

the East India Cotton Association, the Marwari Chamber of Commerce, the Grain Merchants' Association and the Indian Roads and Transport Development Association, was held in the rooms of the Chamber on the 3rd April and as a result of the discussion the following telegram was despatched to the Honourable Member in charge of Communications and Railways :—

"At a meeting held to-day of undermentioned Associations it was decided to telegraph to you urgently advising the grave situation arising out of the existing shortage of transport from and to Bombay. Owing to congestion on G.I.P., food and grain prices rising. Situation isnot assisted by restrictions on road transport. Consider it essential an executive officer is appointed to investigate and co-ordinate all forms of transport with a view to relieving present situation and also plan ahead for the future when an even greater strain on India's internal transport is anticipated owing to increased output of munitions and other war demands. Grateful for early reply and suggest senior officer your department be delegated discuss matter in Bombay enabling commercial community to offer fullest co-operation."

In acknowledging the receipt of the above telegram the Member in charge of Communications and Railways stated that he would be prepared to meet representatives of the commercial bodies in New Delhi and alternatively that Mr. K. G. Mitchell, Consulting Engineer to the Government of India (Roads), would be coming down to Bombay and could be asked to discuss the question with the Chamber and other bodies interested. The Government of India at the same time stated that they were in some doubt regarding the object and intention of the proposal made in the telegram. They understood that the imports of food-grains by rail into Bombay had been on a larger scale than during the previous year and had in consequence difficulty in understanding how congestion of traffic on the G.I.P. Railway had resulted in a rise in food prices. Nor were the Government of India clear as to the nature of the restrictions on road transport to which reference was made in this connection. The Government of India were also in doubt regarding the nature of the proposal made for the appointment of an executive officer who was apparently to relieve

the existing situation in Bombay and make plans on a large scale for the future and they felt that the proposal might be clarified.

Mr. Mitchell accompanied by Mr. J. M. Sladen, Secretary to the Government of Bombay, Home Department, Mr. C. H. Reynolds, Secretary, Provincial Transport Authority, and the General and Traffic Managers of the G.I.P. and B.B. & C.I. Railways, met the Chamber and other commercial bodies in the rooms of the Chamber on the 24th April 1941. Subsequently the following resolution was adopted by the Associations represented at the Conference and forwarded to the Government of India, Department of Communications :—

"In view of the shortage of transport that has existed for several months to the detriment of trade and industry, and with the prospect that this shortage will be greatly accentuated before long as India's war effort develops and the needs of the Military and the Supply Department for transport of munitions and war supplies increase, this meeting unanimously recommends to Government the appointment of an executive officer with full powers to investigate and co-ordinate the operation and development of all forms of transport, road, rail and water, and urges that the appointment be made without delay."

The Indian Merchants' Chamber accepted the resolution but added a proviso that the co-ordinating officer referred to in the resolution should be an Indian.

A further conference was held at Simla on the 15th May 1941 and as a result Mr. J. T. Day, a retired official of the G.I.P. Railway, was appointed (1) to examine, in consultation with the Government of Bombay, business interests in Bombay, and other connected railways, the complaints arising from congestion on the G.I.P. in recent months; (2) to report on the points between which relief was most required, the possibility of securing relief by increased resort to road and water transport and the best methods of securing such relief; and (3) to consider any other suggestions that might be put forward.

Mr. Day had a conference with representatives of the various trade interests concerned in the rooms of the Chamber on the 19th June 1941.

A meeting between representatives of the Bengal Chamber of Commerce and the Chief Commissioner and Financial Commissioner of Railways was held on the 21st July 1941, in Calcutta. The meeting took place primarily for the purpose of discussing the existing general wagon supply position with particular reference to the resolution adopted in April 1941 by commercial and industrial organisations in Bombay recommending the appointment of an executive officer with full powers to investigate and co-ordinate all forms of transport.

The railway point of view appeared to be, however, that the duties visualised by the appointment of a special executive officer, were more than could be undertaken by any one individual and that so far as the railways were concerned, the Railway Board with the Indian Railway Conference Association could achieve the required co-ordination more readily than by any special appointment of this nature. The question of the co-ordination of rail, motor and coastal shipping traffic was discussed at a meeting of the Transport Advisory Council who adopted a resolution recommending the appointment by Provincial Governments of Boards of Transport including representatives of Provincial Governments concerned, the Railways, Provincial Transport Authorities and representatives of other organisations such as the Defence Department as might be thought desirable. It was recommended that these Provincial Boards of Transport should survey the existing facilities for transport, whether rail, road or water, and should consider the demands made by Government and the public and how best these demands could be met.

Representatives of the Chamber and other commercial bodies in Bombay met Mr. G. E. Berkley, Chief Traffic Manager of the G.I.P. Railway, on the 20th November

1941, when he explained the action taken by the Railway authorities to meet the transport demands of the trade during the ensuing busy season. He also referred to the fact that a Transport Board was in course of formation in Bombay whose duty it would be to review the position of transport as a whole and to advise the Government as to the measures which should be adopted to ameliorate the difficulties of the trade.

On the 1st December 1941 the Government of Bombay issued a Press Note in which it was announced that in order to ensure that the best use was made of all available means of transport during the war, they had appointed a Board of Transport under the chairmanship of the Adviser to His Excellency the Governor in charge of Finance. It was composed of representatives of the Defence Forces, and of the G.I.P., B.B. & C.I. and M. & S.M. Railways, the Secretaries to Government, Public Works Department and General Department and the Secretary, Provincial Transport Authority. The Secretary to the Government of Bombay, General Department, was the Secretary of the Board. It was pointed out that owing to the nature of some of the matter to be considered, the Board was necessarily official, but it would endeavour through its members to maintain contact with the business interests concerned with transport and commerce. The first meeting of the Board was held on 24th November 1941, when certain proposals for securing co-ordination in transport were considered.

A second meeting of the Board was held on 22nd December 1941, when transport problems of the Province were reviewed. The question of giving preference to essential commodities required in Bombay city was also discussed. The stocks of some commodities required replenishment and it was decided that the Railways would endeavour to give priority to essential commodities and in particular to wheat, rice, jowar, cotton seed and charcoal.

COAL WAGON SUPPLIES.

In November 1941 the Committee addressed the Government of India, Railway Department (Railway Board), strongly supporting a representation made by the Bengal Chamber of Commerce urging the setting up forthwith of a Coal Transportation Advisory Committee with powers laid down in the following scheme prepared by the Railway Board in 1939 :—

In order to improve the regulation of the supply of wagons for coal in the Bengal and Bihar coalfields served by the E. I. and B. N. Railways, a Coal Transportation Officer will be appointed on and from the.....The appointment will continue until further notice.

2. The C. T. O. will be assisted by an Advisory Committee to be known as the Coal Transportation Advisory Committee. This Committee will consist of—

Coal Transportation Officer .. Chairman. Member of I.C.S. or Senior Railway Official.

Chief Mining Engineer .. .. Member.

Two representatives of the Indian Mining Association.

One representative each of the Indian Mining Federation, the Indian Coal Owners' Association and the Associated and Federated Chambers of Commerce.

3. Representatives of the E. I. and B. N. Railways may be co-opted by the C. T. O. The Committee will meet regularly once a week and additional meetings will be convened by the C.T.O. as may be necessary. Copies of the minutes of the meetings will be sent to each member of the Committee, to the G.M.'s., E.I. and B.N. Railways, to the Railway Board and to the Director of Wagon Interchange, Delhi.

4. On and from the date of appointment of the C.T.O. and until further notice, the Coal Wagon Supply Committee will cease to function and the provisions of the Railway Board's letter No. 663-T, dated the 4th October 1929, inaugurating the Coal Wagon Supply Committee will be suspended.

5. The C.T.O. will consult the Coal Transport Advisory Committee on all matters of importance. The advice of the Committee will not be binding upon him, but he will be required to note his reasons for departing from any advice given him by the Committee.

6. The duties imposed on the Coal Wagon Supply Committee will be transferred to the C. T. O. and his Advisory Committee with such additional duties as have been included in the following detailed

instruction regarding the general method of regulation and supply of coal wagons to collieries :—

(I) The E. I. and B. N. Railways will allot, as at present, wagons for the carriage of coal generally.

(II) The Coal Transportation Officer will only regulate the distribution of wagons for coal loading within the allotment of wagons so made to him by the two railways, subject to the exception contained in item (VIII) below.

(III) He will secure this regulation by passing instructions to appropriate officials of the E. I. and B. N. Railways.

(IV) The C. T. O. will be vested with the responsibility hereto fore imposed on the Coal Wagon Supply Committee to determine the basis of collieries on the formula now in force. He will control the admission of public utility concerns to the Public Utility Priority List and will have additional authority to decide the amount of coal that may be loaded on priority for each public utility concern. To enable him to reach decisions, he will have power to demand from all public utility concerns at present on the priority list and others desiring admission thereto any information he may consider necessary.

(V) He will adhere to a primary priority list which will include Admiralty coal, railway coal, shipment coal, Government and military requirements. (The order of this priority will be notified later.)

(VI) He will also have power to secure priority of loading and despatch of coal to meet any emergent war or Government requirements.

(VII) The supply of wagons for loading to public consumers not on the priority lists will be regulated by licence. He will receive and deal with applications from genuine coal consumers such as paper mills, jute mills, cotton mills, factories, tea gardens and other industrial concerns and will be empowered to issue licences in such order of priority as he, after consultation with his Committee, considers necessary to enable such consumers to continue operation.

The conditions governing the issue of licences will be notified later.

(VIII) The balance of wagons remaining after all priority (and licensed) demands have been distributed by the C. T. O. will be supplied by the E. I. and B. N. Railway Administrations to collieries either fully or in proportion to the basis fixed for each colliery for the loading of public coal. The C. T. O. shall have no control over such wagons allotted to collieries for the public. Their use will remain, as at present, entirely within the discretion of the collieries.

(IX) There must be close liaison between the C.T.O. and the E. I. and B. N. Railway authorities in fixing the proportion of wagons to be allotted to coal and to general goods. This proportion will normally

be determined by the B. N. and E. I. Railway Administrations each for their own railway, but they will be required to consider any representations made to them by the C.T.O. for any enhanced proportion required for coal. The E. I. and B. N. Railways shall keep the C.T.O. advised of all booking restrictions.

At the annual meeting of the Associated Chambers of Commerce of India held at Calcutta on the 15th December, 1941, the following resolution moved by the Bengal Chamber and seconded by the Bombay Chamber was adopted unanimously :—

"This Association strongly supports the representations of the Bengal Chamber of Commerce to the Railway Board in October last, that in view of the very unsatisfactory supplies of wagons to collieries throughout this year for loading on public account, effect should be given without further delay to the scheme prepared by the Railway Board in October 1939 for the appointment of a Coal Transportation Officer, and the setting up of a Coal Transport Advisory Committee in place of the existing Coal Wagon Supply Committee."

TRANSPORT OF COAL TO BOMBAY

At the meeting of the Committee of the Chamber with the Member of Transportation, Railway Board, on the 30th September, 1941, a reference to which is made elsewhere in this Report, it was suggested that Bombay should draw more of supplies of coal from the Central Provinces and the Nizam's Territories than from Bengal. Intimation was, however, subsequently received from a member of the Chamber who had a cotton ginning and pressing factory at Nanded in the Nizam's Dominions, that they were having considerable difficulty in getting supplies of coal either from the Bellarpur Collieries or the Singareni Collieries and were only succeeding in obtaining small supplies by getting the Nizam's Director of Commerce and Industries to make requisition on their behalf.

In bringing the above to the notice of the Railway Board, the Committee pointed out that it would appear unlikely that Bombay firms would be successful in fulfilling their considerable requirements from these sources.

The Committee requested that inquiries might be made as to the coal position in the above named collieries and a statement obtained from them as to whether or not they were able to supply large quantities to the Bombay market.

The Railway Board in reply stated that this matter had been reported to the Chief Mining Engineer, Railway Board, Calcutta, with the request that he would impress upon the managers of the collieries in question the necessity of releasing additional quantities of coal for the Bombay area in view of the difficulties that arose in transporting coal to large distances from Bengal and Bihar.

As regards the Singareni Collieries, the Railway Board pointed out that although steps had been taken to open up fresh workings in order to replace the coal hitherto obtained from these mines, it was not anticipated that the output from these workings would reach a level comparable with that obtained from Singareni until the spring or perhaps later in 1942; in the meantime, supplies from that area must of necessity be somewhat reduced. So far as the Bellarpur Collieries were concerned, it was understood that there were heavy commitments but it was hoped that the reference which the Chief Mining Engineer was then making would bring about an improvement in the position in so far as Bombay was concerned.

RAILWAY CLASSIFICATION OF GOODS.

AMENDMENT IN RESPECT OF CERTAIN COMMODITIES.

(*See Report* 1940, *page* 133.)

During the year under review the Chamber was asked by the Indian Railway Conference Association for its views in regard to various proposals which were put up for discussion at the meetings of the Commercial Committee in connection with the amendment of the General Classification of Goods. After consulting the Docks and Railways

Sub-Committee in each case, the Committee approved most of the proposals and except in the cases mentioned below, offered no comments :—

Olive Oil (February 1941)—Arising out of a proposal of the Eastern Bengal Railway that Argo Oil (Maize Oil) should be indexed to " Salad Oil, n.o.c." under Oils—Division C (see Report for 1940, page 135), which was subsequently withdrawn by that railway, certain investigations were made by the East Indian Railway as to the prices of various oils used for edible and cooking purposes with a view to the re-classification of such oils, and as a result certain proposed changes were circulated to the principal railways for their views. There appeared to be some divergence of opinion on the matter and the views of the Chamber were requested by the Indian Railway Conference Association.

The Committee in reply stated that they were in accord with the views expressed by the B.B. & C. I. Railway which were that only such oils as were sent in bottles should be charged at the higher classification of 4B RR., 4 OR., and all that was necessary was to classify Olive oil as under :—

Olive Oil in bottles 4B RR., 4 OR.
Olive Oil, n.o.c., as Oils Division C.

Spirit Levels (May 1941).—In view of differences of opinion of the various railways in the matter of charges on Spirit Levels and as the same was not specifically provided for the East Indian Railway suggested that they should be charged as for " Tools, n.o.c."

The Committee informed the Indian Railway Conference Association that in their view Spirit Levels should be classified as " Tools, n.o.c. 4 RR." (.62 pies per maund per mile) since they were largely used by carpenters and builders in the ordinary course of their trade.

Leather Cuttings, etc. (May 1941).—The Indian Railway Conference Association requested the views of the Chamber

on a proposal of the East India Railway separately to classify leather clippings and refuse (unserviceable leather scrap), leather bellies, and leather cuttings, trimmings and parings (serviceable leather scrap).

The Committee in reply pointed out that no reference had been received from the trade as regards the additional items proposed by the East India Railway and it appeared to them therefore that the proposals for these further items were an unnecessary refinement in classification unless a definite demand arose from the trade for such classification.

Lattice Tower Parts, etc. (June 1941).—In response to an inquiry received from the Indian Railway Conference Association the Committee stated that they agreed with the proposal of the Eastern Bengal Railway in regard to the classification of Lattice Tower Parts, Poles, etc., which was set out in the following draft resolution :—

The Commercial Committee recommend that :—

(1) The entry, " Accessories for overhead transmission lines, iron or steel work, n.o.c., such as arcing horns, ball and socket eyes, etc.," as recommended, *vide* Resolution 1242 to Serial No. 972 of the Proceedings of Meeting No. 45 of 1941, be revised to read as " Accessories for overhead transmission lines, iron or steel work n.o.c."

(2) Arcing horns, ball and socket eyes, cross arm straps, lead tip pins, strain clamps, lattice tower parts, poles, pole caps and stay rods be included in the list of synonyms, trade names, etc., *vide* Appendix to Chapter VII to I.R.C.A. Goods Tariff No. 24 and shown therein as chargeable as for " Accessories for overhead transmission lines, iron or steel work, n.o.c." indexed to " Electrical appliances and fittings—Div. C."

(3) Lattice tower parts, poles, pole caps and stay rods be deleted from the list of articles indexed to " Iron or Steel—Div. B."

In August 1941, however, the Committee informed the Indian Railway Conference Association that on reconsideration they preferred that lattice tower parts, poles, pole caps and stay rods should remain indexed as " Iron and Steel, Division B."

CLAIMS FOR SHORTAGES AGAINST RAILWAYS.

(*See Reports* 1936, *page* 143 ; 1937, *page* 115 ; 1938, *page* 100 ; 1939, *page* 140 ; 1940, *page* 136.)

In April 1941 the Chamber was asked by the Associated Chambers of Commerce of India for its views on a suggestion of the Madras Marine Insurance Association that the railways should grant " open delivery " in the case of consignments received in an outwardly sound condition but where the consignees suspected damage or breakage to the contents.

The Committee informed the Associated Chambers that they opposed the suggestion on the ground that if " open delivery " was permitted for goods which appeared to be in sound condition, it would mean a considerably enhanced station inspection staff, which was impracticable.

The Bombay Underwriters' Association, who were informed of the action taken, were fully in accord.

The Chamber was informed subsequently that the proposal did not meet with the support of the constituent Chambers as a whole and that in the meantime it had been withdrawn by the Madras Marine Insurance Association.

RAILWAY (LOCAL AUTHORITIES' TAXATION) BILL.

At the end of the Budget Session of the Central Legislative Assembly the Railway Member introduced a Bill to regulate the extent to which railway property should be liable to taxation imposed by an authority within a Province. In the statement of objects and reasons appended to the Bill it was mentioned that section 135 of the Indian Railways Act, 1890, provided that no railway property could be subjected to a tax by a local body, unless the Governor-General in Council had by notification declared the railway administration concerned to be liable to pay the tax. The Governor-General in Council could at any time

revoke or vary such a notification. Although the section was still in force it could no longer be applied to State-owned railways because of the provisions of section 154 of the Government of India Act, 1935. This exempted State-owned railway property from provincial or local taxation except so far as legislation might otherwise provide, but all the taxes payable by virtue of notifications issued under the Indian Railways Act before 1st April 1937 continued to be payable until legislation otherwise provided. The position thus was that until such a law was enacted, no new tax could be imposed in respect of such property, nor could any existing notification in respect of such property be varied or revoked.

A Bill to restore the position which existed prior to 1st April 1937 was introduced in the Legislative Assembly in 1938, but a motion for its circulation was rejected. Fears were expressed that the Bill would confer an unreasonable advantage on railways at the expense of Provincial Governments and local bodies, and objections were also based on the form which the Bill took. Actually, the rejection of the Bill had resulted in railways benefiting at the expense of taxing authorities, and representations had been made to the Government of India by Provincial Governments in favour of the enactment of legislation.

Moreover, the Government of India had been advised that the proviso to section 154 of the Government of India Act, 1935, did not include property acquired by Government after the 31st March 1937 and was confined to Crown property which was subject to taxation on that date. Local authorities had thus been deprived of revenue from taxation in respect of the property of several railway administrations recently purchased by Government and, in the absence of legislation, were likely to lose further revenue in the future.

It was therefore thought desirable to restore the position that existed prior to the 1st April 1937 by enabling the Central Government to issue, vary or revoke notifications

regarding the liability to taxation by local bodies of all State-owned railways whether acquired before or after that date. The Bill in its substantial effect was similar to the Bill of 1938, but it had been modified in form to meet objections that were taken to that measure.

The Bill was referred to the Chamber for opinion by the Associated Chambers of Commerce of India but the Committee had no remarks to offer thereon.

TELEPHONE CHARGES.

Message Rate System.

(*See Report* 1939, *page* 151.)

In April 1941 the Upper India Chamber of Commerce drew the attention of the Associated Chambers of Commerce of India to the fact that the Indian Posts and Telegraphs Department proposed to introduce, from a date after the 30th September 1941, the message rate system of charging subscribers to telephone connections in place of the existing flat rate system as an experimental measure at Cawnpore. The new system contemplated an annual charge of Rs. 100 for the telephone connection plus a charge of rupee one for 14 calls. The Upper India Chamber stated that they were opposed to the message rate system but inquired what were the views of the constituent Chambers on Government's proposal.

The Committee in reply informed the Associated Chambers that the proposal met with considerable disapproval on the ground that commercial firms would have to pay much enhanced charges. If, however, it was finally decided to introduce the message rate system, they approved of the methods proposed in preference to any other.

THE BOMBAY TELEPHONE Co., Ltd.

In March 1941 shareholders of the Bombay Telephone Co., Ltd., were notified that Government had the option of terminating in 1943 the licences granted by them to the

Company under which the Bombay Telephone Co., Ltd., operated its telephone systems. Government intimated to the Company their intention of terminating the same in that year. As a result of negotiations between Government and the Board of Directors of the Company, Government incorporated under the Indian Companies Act, 1913, a company styled "The Government Telephones Board Limited" which Company made an offer to shareholders of the Bombay Telephone Company, Limited, under section 153B of the Indian Companies Act, 1913, to purchase all the shares of the Transferor Company at the price of Rs. 89-15 per share. This price was subject to the deduction of every dividend (final and interim) declared payable after the 31st day of January 1941 in respect of the said shares and did not bear interest.

This offer was conditional upon the scheme being approved by the holders of not less than three-fourths in value of the shares within four months after the making of the offer.

The Chamber held 48 shares in the Bombay Telephone Co., Ltd., in the name of its representative, Mr. J. M. B. Gibbons. The Committee agreed to accept the offer of the Government Telephones Board Ltd., and the shares were accordingly sold to the new company.

TELEGRAPHIC ADDRESSES.

In November 1941 the Associated Chambers of Commerce of India brought to the notice of the Chamber that the Post Office authorities at Madras had refused to accept a telegram addressed to Cochin with only the name of the company, as the telegraphic address for the company was not registered at the latter place and, therefore, the telegram was considered to be insufficiently addressed. In addressing the Associated Chambers on the subject the Madras Chamber stated that it was understood that the Director-General of Posts and Telegraphs had decided

recently that the addressing of a telegram merely by the name of a business house or institution which had not a registered telegraphic address, even if the institution was well known, was not sufficient for purposes of correct delivery. Further, it was stated that a telegram must always be addressed to some person either by name or designation supplemented by the full postal address whenever necessary; but the Chamber pointed out that telegrams were urgent messages which required immediate attention and if sent to a company were not necessarily meant only for specific persons employed in the office concerned but to the company as a whole to be attended to. Apart from this, if telegrams were sent to a person by name, and if the person to whom it was addressed was absent owing to unforeseen circumstances, then the delay in delivery might mean considerable loss and inconvenience to the company.

The Madras Chamber stated that it was aware that by registering a telegraphic address the difficulties enumerated above could be overcome, but that was another matter, as it would not pay to register full addresses of companies belonging to members at places where their establishment and turnover were small. The Chamber was of opinion that the public should not be forced to send telegrams to individuals when they were intended for companies, and that telegrams should be delivered without question to addresses considered sufficient by the postal authorities.

The Madras Chamber requested the Associated Chambers to take the matter up with the Director-General of Posts and Telegraphs.

In requesting this Chamber's views on the subject the Associated Chambers asked for particulars of the practice in vogue in the Bombay District.

The Committee informed the Associated Chambers that in their view the complaint in respect of the Cochin Post Office was one that should be taken up with the Madras

Head Post Office and was not a question of all-India importance. In the Bombay Presidency no case had come to light of a similar nature. The Committee were not prepared therefore to support representations to the Director-General of Posts and Telegraphs in this matter.

BOMBAY MUNICIPAL CORPORATION.

Representation of Commercial Interests.

With effect from 1943 adult franchise will be introduced in the Bombay Municipal Corporation. The Law, Revenue and General Purposes Committee of the Corporation who had been requested to report on the advisability of amending the Municipal Act in order to redistribute the elective seats in the Corporation, and other cognate matters arising out of the proposed alteration in the franchise, recommended, *inter alia*, that the Act should be amended with a view to secure the abolition of the representation of special constituencies such as the Bombay Chamber of Commerce, the Indian Merchants' Chamber, the Bombay Millowners' Association, the University of Bombay and Labour.

The above recommendation was opposed by the Chamber's representative in the Corporation and others, but was adopted by a majority.

It was proposed at first that the Chamber should defer taking any definite action in regard to the proposal until the amendment of the Municipal Act was actually before Government, but in the meantime the Indian Merchants' Chamber submitted to Government a strong representation in favour of the continuance of the existing special constituencies. The Committee therefore addressed a letter to the Government of Bombay fully supporting the representation of the Indian Merchants' Chamber and expressed a hope that Government would not agree to amend the Municipal Act on the lines contemplated by the Municipality.

The recommendations of the Law, Revenue and General Purposes Committee came up for consideration in the Corporation on the 11th October 1941 when a motion to omit that clause of the draft Bill by which it was proposed to abolish all special constituencies, was defeated by 30 votes to 20.

The Committee decided to take no further action till the Government of Bombay's Amending Bill was published.

COLLECTION OF MUNICIPAL TAXES IN ADVANCE.

Under section 198 of the City of Bombay Municipal Act, III of 1888, tax on vehicles and animals is payable quarterly in arrear, on each first day of April, July, October and January. Further, although under section 180 of the said Act, the tax is to be levied on vehicles and animals, the liability for payment of the tax is at the moment a personal liability only. The Bombay Municipal Corporation asserted that they had in consequence suffered serious loss in revenue and the Corporation requested the Government of Bombay to amend the City of Bombay Municipal Act so as to facilitate the collection of the tax in advance instead of in arrear and to attach the ultimate liability to vehicles and animals on the analogy of the property tax.

The Government of Bombay, therefore, on the 18th February 1941, published a Bill to amend the Municipal Act for the purpose of carrying out the above objects, but considered that before any action was taken, the opinion of the public should be invited on the provisions of the Bill.

The Committee considered the Bill in consultation with a Special Sub-Committee and had no remarks to offer thereon.

BOMBAY MUNICIPAL TOWN DUTY REFUND RULES.

(*See Report* 1936, *page* 191; 1940, *page* 148.)

It was recorded in the Chamber's Report for 1940, that the Committee had addressed the Municipal Commissioner urging that the Town Duty Refund Rules should be so amended as to provide that any *bona fide* or clerical or arithmetical mistakes in any of the documents or errors arising therein from any accidental slip or omission should not be deemed to be a material omission or discrepancy.

In June 1941 the Municipal Commissioner informed the Chamber that the Standing Committee after careful consideration had agreed with him that no amendment of the Town Duty Refund Rules was necessary, but to alleviate any hardship that might be caused to any merchant by a clerical error, omission or discrepancy, orders might be issued that any clerical error, omission or discrepancy in one of the export notes should be overlooked and refund allowed as if there was no such error, omission or discrepancy.

As regards errors or omissions in declaring the weight or quantity, or in writing the amount of refund due in the application, *bona fide* errors or omissions would be overlooked. The Commissioner added that orders had been issued accordingly.

In again addressing the Commissioner in the matter the Committee stated that it would appear that the action taken by the Commissioner, though satisfactory up to a point, did not fully meet the requirements of the trade as conveyed to him in the Chamber's previous letter, i.e., that any *bona fide* or clerical or arithmetical mistake in any of the documents or errors arising therein from an accidental slip or omission should not be deemed to be a material omission or discrepancy. The attitude adopted by the municipal staff apparently was that refunds were refused where even very trivial errors or omissions occurred in

both the original and duplicate export notes, while they granted refunds when the same errors or omissions occurred in only one copy of the note. This seemed to undermine the whole principle for which the trade had been clamouring, namely, that refund should not be refused merely on the ground that there had been a trivial error or omission in the form. As cases in point, the Committee forwarded copies of two forms in which refund was rejected merely on the ground in one that the name of the motor driver had been omitted in both the export notes and in the other that the name of the motor lorry driver and the number were omitted in both the export notes. Under rule 11 of the Town Duty Rules, section (c), Refunds, Chapter I, it was laid down that an exporter claiming refund should present the Town Duty Export Note in duplicate in Form C. If the merchant or his clerk made an error in the first export note he might, quite innocently, commit the same error when making the duplicate copy. It seemed unreasonable, therefore, that because of these trivial errors the refund of town duty to which a merchant was, in all equity, entitled, should be refused.

CITY OF BOMBAY MUNICIPAL ACT.

Proposed Amendment.

In July 1941 the Government of Bombay issued a Press Note in which it was stated that it was common experience that roads and footpaths in the City of Bombay, though swept and attended to regularly, were found continually littered with all sorts of refuse. In order to keep them cleaner and to minimise this nuisance, additional statutory powers were considered necessary by the Bombay Municipal Corporation. It had, therefore, submitted proposals for amending and supplementing the existing sanitary provisions of the City of Bombay Municipal Act, 1888. It had also suggested amendments in the Act for obtaining powers for constructing public baths and for enforcing sanitary requirements in respect of certain trades and

callings, e.g., preparing *shev, gathia, bhajia*, etc., the management of private dhobi-ghats, the manufacturing of cowdung cakes, etc.

The Government of Bombay considered that before any action was taken in the matter, the opinion of the public should be invited on the provisions of the Bill to amend the City of Bombay Municipal Act. A draft Bill, with the statement of objects and reasons, was accordingly published for the information of the public and criticisms were invited.

In this connection the Committee were favoured with a copy of a representation submitted by the Bombay Millowners' Association to the Government of Bombay in regard to the inclusion in the draft Bill of two new sections 368A and 368B.

Section 368A empowered the Municipal Commissioner by written notice to require the owner or occupier of premises wherein any manufacture, trade or business was carried on, to collect and cause all trade refuse to be removed to the place of final disposal. Section 368B made provision for the Commissioner to contract with the owner or occupier of the premises for the removal of trade refuse.

The Bombay Millowners' Association raised strong objections to the inclusion of these clauses and these objections received the full support of the Committee of the Chamber who considered that there was no justification for such a transfer to industrial establishments of an obligation expressly imposed by the Act on the Municipality.

BOMBAY MUNICIPAL WATER TAX.

Textile Industry.

In June 1941 the Chamber supported a representation made to the Municipal Commissioner by the Bombay Millowners' Association in connection with a proposal to increase the rate of tax levied by the Bombay Municipality

for water supplied to the cotton mills in the City and Island of Bombay. The Committee considered that it had been conclusively proved that the water rate charged at the moment by the Municipality to the cotton industry was unjustifiably high and they were of opinion that it was desirable for a thorough investigation of the whole system of water taxation adopted by the Municipality to be undertaken and a new basis of charge evolved equitable to all the varying interests.

TAXES ON PROFESSIONS, TRADES, CALLINGS AND EMPLOYMENTS.

(*See Report* 1940, *page* 150.)

By section 142A of the Government of India Act, 1935, which was inserted in that Act by the India and Burma (Miscellaneous Amendments) Act, 1940, Parliament's intentions regarding Item 46 (Taxes on professions, trades, callings and employments) in the Provincial Legislative List in Schedule VII of the Government of India Act, 1935 were clarified. The new section, while continuing the right of Provinces to impose a tax on professions, trades, callings and employments, limited the incidence of that tax in respect of any one person to a maximum of Rs. 50 per annum, save in the case of those Provinces in which a tax on professions, trades, callings and employments was levied at a higher rate prior to 31st March 1939. In such cases exemption was granted from the operation of the limit of Rs. 50.

The result of this was, therefore, that, whereas in most Provinces taxes on professions, trades, callings and employments were limited to the maximum of Rs. 50 per annum in respect of any one person, in the Madras Presidency the maximum rate was as high as Rs. 1,000 per annum in the city of Madras and Rs. 550 per annum in the districts outside the city. There might be other Provinces in which,

by the proviso to sub-section (2) of section 142A of the Government of India Act, 1935, the maximum of Rs. 50 did not apply.

There was a widespread demand in the Madras Presidency that the profession tax, which was levied by municipalities and local boards under provincial legislation, and was based solely on income, should be subject to the maximum of Rs. 50 per annum.

A private member's Bill sponsored by Sir Frederick James was introduced in the Legislative Assembly on 21st March 1941. This Bill sought to give effect to the above demand and to extend the limit laid down in sub-section (1) of section 142A of the Government of India Act, 1935, to those Provinces in which, owing to the proviso to sub-section (2) of section 142A the limit of Rs. 50 did not apply at the moment. It was considered desirable that there should be uniformity in this matter and the Bill sought to establish that uniformity in all Provinces. The Bill received the support of this Chamber.

The Bill was referred to a Select Committee who made some minor alterations and appended a schedule showing a number of local taxes already in operation to which the limitation imposed by the Bill did not apply.

The Bill was passed by the Legislative Assembly on the 7th November 1941 and by the Council of State on 17th November 1941. (Act XX of 1941.)

COMPULSORY INSURANCE OF MOTOR CARS AGAINST THIRD PARTY RISKS.

(*See Report* 1937, *page* 136.)

Under the provisions of Chapter VIII of the Motor Vehicles Act, compulsory third party insurance of motor vehicles in India was scheduled to come into force on the 1st

July 1943. Towards the end of October 1941 it was represented to the Chamber that the Insurance Associations in India had already begun the considerable work of preparation that this entailed and it was suggested that Government should be approached with a view to ascertaining whether there was any likelihood of the introduction of compulsory insurance being postponed until some time after the end of the war, for even if hostilities were ended before July 1943, it would probably be more than a year before conditions approached normal.

The Committee were informed that the insurance associations in India supported this suggestion as they had in mind not only the pressure that would be put upon short-staffed insurance companies but also the burden of work and expense that the bringing into force of Chapter VIII would mean for the authorities concerned. It was felt that if the matter was brought to the notice of Government they might consider that in view of war conditions the operation of legislation which would cause additional work and expense to all concerned should be postponed.

The Committee accordingly requested Mr. J. D. Boyle to ask a question in the Assembly as to Government's intentions in this matter.

Mr. Boyle in the first instance took the matter up unofficially with the Secretary to the Government of India in the Communications Department who stated that it was receiving the attention of Government. It did not appear likely that Government would reach a decision within the next few months. It was decided, therefore, that if a decision had not been reached by the time the Budget was presented in February 1942, a question would be put or a statement made which would no doubt force the issue. In the meantime it was suggested to the insurance interests that they might address the Communications Department officially in the matter.

SPEED LIMIT FOR MOTOR CARS IN BOMBAY.

In July 1941 the Chamber's representative on the Traffic Advisory Committee requested the views of the Committee of the Chamber on a suggestion that the speed limit in Bombay for motor cars should be abolished in view of the difficulty experienced by the Police in enforcing it. The Committee informed Mr. Spelman that they considered that the methods adopted by the Police for checking individuals exceeding the speed limit should be improved on. At a later date they expressed the opinion that it was desirable for the speed limit to be abolished in favour of a more rigorous prosecution of offences such as rash and negligent driving.

MAXIMUM LADEN WEIGHT OF LIGHT TRANSPORT VEHICLES.

In December 1942 the Committee agreed to support the following resolution which the Indian Roads and Transport Development Association proposed to move at a meeting of the Board of Communications to be held in January 1942 :—

"That in the light of the greatly reduced number of vehicles using roads in consequence of petrol rationing, the carrying capacity of all vehicles should be utilised to the maximum extent by the relaxation of the orders reducing the permissible laden weight of light transport vehicles from 14,500 lbs. to 12,500 lbs."

BOMBAY PORT TRUST ACT, 1879.

SECTION 62—STEAMER'S LIEN FOR FREIGHT.

In September 1941 the Chamber drew the attention of the Department of Commerce of the Government of India to the conditions arising out of the war which materially affected the right of lien for freight on goods claimed by shipping companies when landing these goods in the Port of Bombay.

The Trustees of the Port of Bombay had been approached in connection with the registration of a claim for lien for freight on certain goods shipped by a company's steamers and the notices of such lien had been refused by the Port Trust on the grounds that notice thereof had not been given at or before the time of the landing of the goods, and that the amount of freight had not been declared.

The refusal by the Port Trust was based on section 62 of the Bombay Port Trust Act, 1879, which section read as follows :—

"If the Master or owner of any vessel, or his Agent, at or before the time of landing from such vessels any goods at any wharf, dock or pier in the possession of the Board, shall give to the Board notice, in writing, that such goods are to remain subject to a lien for freight or other charges payable to the shipowner, to an amount to be mentioned in such notice, such goods shall continue liable to the same lien, if any, for such charges as they were subject to before the landing thereof. Such goods shall be retained either in the warehouses and sheds of the Board, or, with the consent of the Chief Custom authority of the Presidency in the public warehouses, at the risk and expense of the owners of the said goods until the lien is discharged as hereinafter mentioned."

It was fully explained to the Bombay Port Trust that under war-time conditions existing at the moment it was quite impossible on all occasions to declare "at or before the time of landing" all the lien for freights due—or the amounts thereof—as it so frequently happened that advices and instructions from the ports of shipments regarding the collection of freight at Bombay were only received after the vessel had arrived in Bombay, and on some occasions after discharge had been completed.

The Manager of the Port Trust had expressed his sympathy with the steamship companies, but had emphasised the inability of the Trustees to go past, in any way, the section of the Act quoted above.

It was pointed out that shipping companies had the first lien on any cargo for freight and other charges payable

to the shipowner and such lien had preference over all other claims such as Customs duty, Port Trust charges, etc.

The consignee could not obtain delivery of his cargo without receiving from the shipping company a delivery order and that would only be issued after any freight due to the company had been first paid. On the other hand, if cargo was not claimed by the consignee within a period of two months from the general landing date for the carrying vessel—or much earlier in the case of perishable cargo—(as per section 64 of the Act), such unclaimed cargo was removed by the Bombay Port Trust to their sales warehouse for public auction, and it was on such cargo that the steamship companies desired to exercise their lien for freight.

With the strict interpretation of the Act, as insisted upon by the Trustees of the Port of Bombay, the shipping companies were forced to forgo their rightful claim.

The Committee therefore requested the Government of India to arrange for the necessary temporary revision of the wording of the relevant section of the Bombay Port Trust Act, 1879.

BOMBAY PORT TRUST.

Notice of Arrival of Goods.

In November 1941 it was brought to the notice of the Committee that with the object of speeding up the clearance of goods and thus expediting the turn-round of ships, the Calcutta Port Commissioners had introduced a procedure whereby every importer, as far as possible, would be advised by post as soon as any of his goods were landed from the United Kingdom into the Commissioners' custody. No extra charge was made for this service but it was expressly stressed :—

(1) It was not intended to relieve importers of their responsibility for looking out for the arrival of their own goods themselves.

(2) While the Commissioners would make every effort to give full and accurate service they could not accept any liability should they fail to send an advice in any particular, e.g., the failure to receive notice of arrival would not, in itself be a ground for claiming any remission of wharf rent, nor would such notice if sent, be accepted as proof of the date of landing for the purpose of calculating rent or determining the Commissioners' liability for any claim.

Importers who desired to take advantage of the scheme had been requested to send to the Port Commissioners a list of the shipping marks under which they usually imported goods from the United Kingdom.

As already stated, the object of the proposal was not only to assist importers but also, by expediting the clearance of the transit sheds, to speed up the turn-round of shipping.

The Committee suggested to the Bombay Port Trust that they might consider the feasibility of introducing a similar scheme in Bombay and were subsequently informed that the Port Trust had agreed to do so. Members were requested to forward to the Docks Manager a list of shipping marks under which they normally imported goods from the United Kingdom.

WORKING HOURS OF THE BOMBAY PORT TRUST OFFICES.

In September 1941 representations were received by the Chamber in regard to the difficulties experienced by commercial houses owing to the fact that the Port Trust Offices were not opened till 10-30 a.m. each day. Under existing conditions it was extremely difficult to communicate with the various officials until late in the morning and consequently the work of steamer agents was greatly hampered through their inability to make early arrangements regarding the movements and berthings of steamers and the consequent passing of the necessary instructions to shippers, etc., in respect of bringing forward their cargo for shipment.

In view of the prevailing situation, the Committee requested the Port Trust to take early steps to have their offices opened not later than 10 a.m. each day, thus bringing them into line with most commercial and business houses.

Up to the time of writing this report no reply had been received from the Port Trust.

CONSIGNMENTS BOOKED EX STEAMER FROM BOMBAY TO AHMEDABAD.

Owing to the disturbed conditions in Ahmedabad during April 1941 the booking of consignments by rail to that city was completely stopped for a time. During this period large consignments of cotton and machinery for the mills arrived in Bombay by steamers, but could not be despatched and as a consequence incurred heavy demurrage. In addressing the Bombay Port Trust in the matter the Committee urged that in so far as the Bombay Port Trust had already granted concessional rates in respect of cargo discharged ex requisitioned vessels and transhipment cargo for which on-carriers had been requisitioned, they might consider the granting of concessional rates in respect of extra fees payable after the usual " free " period under the special circumstances as described.

As a result of this representation the Trustees sanctioned a remission of two-thirds of the accrued extra fees calculated on a single rate, in the case of rail-borne consignments ex-Docks for Ahmedabad and other stations to which bookings were suspended or restricted owing to disturbed conditions.

PORT TRUST WHARFAGE CHARGES.

Delays in Remission of Extra Fees.

In January 1941 a member drew the attention of the Committee to the fact that the Port Trust had agreed in principle to the remission of extra fees in the cases of two

steamers which, in June 1940, had discharged their cargoes originally intended for Egyptian ports and which could not be carried on due to the closing of the Suez Canal. The member complained about the undue delay in the settlement of the claims.

The Committee took the matter up with the Port Trust and the Trustees finally decided to levy only one-third single extra fees on the cargoes in question and the Docks Manager was instructed to expedite payment of the refunds due in respect of claims which were under examination in his office.

TRUSTEES OF THE PORT OF MADRAS.

In April 1941 the Government of Bombay asked for the views of the Chamber on a Bill which was introduced in the Central Legislative Assembly on the 3rd March 1941 and which had for its object the alteration of the constitution of the Board of Trustees of the Port of Madras. The constitution of the Board of Trustees of the Port of Madras was last revised in 1923. It was considered that changes in circumstances since that date justified a further revision.

Six seats were at the moment assigned to European commercial interests and four to Indian commercial interests. Information available suggested that Europeans and Indians shared almost equally in the traffic of the port; it was, therefore, proposed to assign four seats to the Madras Chamber of Commerce, three to the Southern India Chamber of Commerce and one to the Southern India Skin and Hide Merchants Association. Although it was ordinarily desirable to avoid the representation of specific branches of commerce, the representative of the last Association was retained on account of its special position. One elected seat had been assigned to the Madras Corporation, and it was proposed that one seat should be reserved for a representative of labour, in accordance with a recommendation made by the Royal Commission on Labour.

Of the remaining seats, it was proposed that one should be filled by a nominee of the Government of Madras, who were at the moment unrepresented. The others included the Chairman and would permit of representation of railway interests and of the appointment of the Collector of Customs.

The Committee informed the Government of Bombay that they had no comments to offer on the Bill.

FAULTY REMARKS ON MATES' RECEIPTS.

(*See Reports* 1926, *Volume I, page* 254; 1931, *Volume I, page* 206; 1936, *page* 172.)

In June 1941 the attention of the Committee was drawn by a member firm to a letter which they had received from the agents of a steamship company intimating that the latter had obtained instructions to insert a remark in all bills of lading for shipments of piecegoods and yarn to the following effect :—

"Second hand—insufficient packing. Vessel not responsible for damage or loss of contents."

The Committee understood that the member had been exporting similarly packed goods for many years and had never before been forced to accept the insertion of such a remark which, it would be realised, affected not only the question of insurance cover but in certain cases could also affect banker's credit. The Committee accordingly addressed the agents of the steamship company concerned and requested them to define what in the opinion of the company constituted "second-hand and insufficient packing." The Committee stated, however, that if this phrase had been inserted merely to avoid responsibility for damage or loss of contents, they desired to offer their strongest protest against such action, and requested the agents to convey their protest to the management of the steamship company.

The Committee were subsequently informed by the agents of the steamship company that in accordance with

instructions received from their principals, the clause "second-hand—insufficient packing, etc., etc." was being inserted in bills of lading for only such shipments as were tendered for loading in a doubtful condition.

PAYMENT BY STEAMSHIP COMPANIES OF CLAIMS FOR SHORTAGES.

(*See Reports* 1921, *Vol. I*, *page* 310 ; 1934, *page* 256.)

In April 1941 a member informed the Chamber that, based on the ruling of the Chamber in 1921 they had claimed from a certain steamship line the c.i.f. price, plus 5 per cent., (duty having been refunded by the Customs) in respect of a bale of piecegoods short delivered. In reply the steamship company stated that the Indian Carriage of Goods by Sea Act, which came into force in 1925, had replaced all customs and usages relating to the contract of carriage between the carriers on the one hand and the shippers, consignees or cargo owners on the other. The bill of lading which was subject to the terms and conditions of the Indian Carriage of Goods by Sea Act clearly stipulated the basis on which claims were to be settled by the carriers, and therefore the custom and usage of 1921 no longer retained their force. Clause No. 23 of the bill of lading provided that " All claims for which the vessel and/or the carrier may be liable shall be adjusted and settled on the value declared by the shipper or on the net invoice cost plus disbursements whichever shall be least." In terms of this clause the steamship company maintained that they were liable to settle the importers' claims for short-landed packages on the basis of the invoice value only and nothing more. They stated that they were unable to allow the 5 per cent. gain on the invoice value of short-landed packages.

In view of the aforesaid statement of the steamship company the member requested an authoritative opinion

of the Committee of the Chamber on the following points :—

(1) Whether the contention of the steamship company was correct ;

(2) Whether the consignees are not entitled to claim a better margin than 5 per cent. owing to the enhancement of the Import Tariff since 1921 ;

(3) Whether the consignees are not entitled to claim interest on the c.i.f. price in the event of delay in the settlement of the claims ; and

(4) What would be a reasonable period for settlement of such claims.

The Committee in reply stated that the customary procedure was as follows :—

1. Claims for shortages of contents from packages, etc., were settled at the c.i.f. invoice cost, plus duty if no refund of duty had been obtained by the consignees from the Customs, plus additional 5 per cent. to cover incidental charges.

2. Claims for short-landed packages, etc., were settled at c.i.f. invoice cost only. Consignees were asked to obtain a refund of duty from the Customs authorities. No interest was ever allowed on the c.i.f. price in the event of any delay in the settlement of claims, nor were any claims for loss of market ever entertained by the Company.

3. Claims were settled immediately inquiries were completed. Claims for shortages of contents were naturally settled very much earlier than claims for short-landed packages, as tracers and inquiries for short-landed packages necessitated at least 2 to 3 months prior to the outbreak of the war, but now obviously this period, due to difficulties in communication, had been considerably increased.

4. In the case of shipments from the Far East claims for short-landed packages were settled either on the c.i.f. invoice value or the value declared in the bill of lading, whichever was the smaller.

CARRIAGE OF 'SHIPPING DOCUMENTS IN SHIPS' BOXES.

(*See Report* 1940, *page* 30.)

In March 1941 the Department of Commerce of the Government of India issued the following Press *communiqué*

detailing the revised arrangements governing the carriage of consignees' mails in ships' boxes :—

" The arrangements governing the carriage of consignees' mails in ships' boxes have been revised by the Government of India and will in future be as set out below.

2. Such consignees' mail may include signed bills of lading, consular invoices and any documents relating to the cargo carried on the ship that are essential to its prompt handling on arrival at the port of destination.

3. No remittances may be included in this mail, nor any documents relating to any subject other than the cargo carried on the ship.

4. Control of the contents of ships' boxes will be exercised by the Customs authorities at the port of departure or arrival in India.

5. In the case of outward-bound ships the consignors should send documents in an addressed but unsealed envelope to the agents who would collect all such documents and present them for inspection to the Customs authorities at the port of departure at a time to be arranged by them shortly before the sailing hour. Mails for each port in censorable countries should as far as possible be contained in separate packages.

6. In the case of inward-bound ships similar conditions apply. The ships' boxes containing consignees' mail will be brought to the Customs authorities for examination as soon as possible after arrival.

7. The ship's agents will be responsible for ensuring that the consignees' mails are examined as provided for, before being placed on board or being passed out. The ships' boxes will be liable to inspection at any time during the vessel's stay in port.

8. Any documents found with the ship's papers or consignees mails that do not fall within the definition given above will be removed and forwarded to the local censor station for examination. They are therefore likely to be delayed and will probably not be returned in time to travel in the ship from which they are removed.

9. It is suggested that in all cases duplicate copies of documents should be forwarded by air mail or ordinary post.

10. In the case of inward cargoes, the duplicate documents should preferably be sent separately from any other documents in envelopes endorsed outside " shipping documents only." This procedure will facilitate the handling of the documents by the censor stations concerned and therefore assist in avoiding delay in delivery. It is hoped that shipping houses will not only adopt this procedure but make it known to their branches and agents in censorable countries, which include all countries except the British Empire and the United States of America and Dependencies thereof."

BOMBAY MINOR PORT COMMITTEE'S REPORT.

ROAD FROM DHOLLERA TO THE SEA.

(*See Reports* 1937, *pages* 128 *and* 172 ; 1939, *page* 171.)

It was recorded in the Report for 1939 that the Chamber, after the publication of the Report of the Bombay Minor Ports Committee, informed the Bombay Board of Communications that they reiterated their views that there was no justification whatsoever for further expenditure either in connection with the port at Dhollera or the proposed road thereto.

In May 1941 the Government of Bombay forwarded to the Chamber a copy of their Resolution on the major recommendations of the Bombay Minor Ports Committee. In connection with the improvements recommended by the Committee to the Dhollera Port the Government of Bombay pointed out that the scheme involved extensive works which entailed not only a large capital outlay, but considerable expenditure on maintenance. Government considered that it would not be possible to invest large sums of money on such a work which was not of an imperative nature and the success and utility of which were either doubtful or speculative. Besides the local merchants at Dhollera were not enthusiastic about the development of the port. In the circumstances Government did not accept the recommendation.

The Committee also recommended that as there was great need of a tank for drinking water at Dhollera the existing tanks at Gheda or Rahatalao might be extended and a pipe line laid up to the bandar if the construction of a new tank was not possible.

Government considered that the recommendation was not practicable and did not therefore accept it.

BOMBAY SHOPS AND ESTABLISHMENTS ACT.

Clerical Establishments of Textile Mills and Factories.

(*See Reports* 1938, *page* 148 ; 1939, *page* 178 ; 1940, *page* 171.)

In February 1941 the Chamber was informed that the Government of Bombay had advised the Controller of Supplies, Bombay, that they were prepared to grant temporary exemption in respect of particular classes of employers and business concerns who were engaged in war work, exemption to be granted for a period of six months in the first instance, the firms and business concerns to be requested to give an informal assurance that such clerical employees of the mill factory workshop would at least be given the benefits of the Factories Act.

Temporary exemption had been granted to the textile mills in Bombay, and it was understood that exemption had been granted to other factories which had been classified as a " notified factory " engaged on work of national importance.

The above information was brought to the notice of members, and factory owners who were in a position to prove that they were engaged on work of national importance for either the Department of Supply or the Defence Department, were recommended to make application direct to the Secretary to the Government of Bombay, Political and Services Department. Their application should include an informal assurance that clerical employees would be given the benefits of the Factories Act.

SHOPS AND ESTABLISHMENTS.

Proposed Compulsory Weekly Holidays.

In the *Gazette of India* dated 11th October 1941 a Bill was published, the object of which was to provide for the grant of weekly holidays to persons employed in shops, commercial establishments, restaurants and theatres.

In addressing Mr. J. D. Boyle, M.L.A., in connection with the Bill, the Committee pointed out that when a similar Bill was considered in draft form by the Chamber in October 1940, the following criticisms were put forward :—

(*a*) The weekly holidays should be on a Sunday or on a day to be fixed by the employer, and not (as proposed in the Bill) by the Provincial Government.

(*b*) There was provision for the fixing by the Provincial Governments of different days for holidays for different classes of shops and establishments, or for different areas, or for different times of the year. The Chamber considered that such fixation should be left to the employer.

(*c*) The Bill provided for an extra half holiday to be fixed at the discretion of the Provincial Government. On such a day the shops and establishments would have to be closed at 1 p.m. There were no other restrictions as to hours, and the Chamber pointed out that with the total number of hours already fixed under the Provincial Act, there was no necessity as far as Bombay was concerned, to enforce an extra half day's holiday. Moreover, as the proposed Bill read, the unscrupulous employer could easily circumvent the object of the Bill by starting his hours of work at say 5 a.m.

(*d*) If Government wished to introduce what they presumably considered was good legislation, the Government's own employees should not be exempted from its provision.

The Committee stated that, generally speaking, they were in favour of the principle of a weekly holiday. They felt, however, that in a country where a large proportion of the townspeople were dependent on restaurants and " eating houses " for their food, the closing of all shops on Sunday or any one particular day in the week would cause considerable hardship. They considered that the welfare of shop assistants, waiters, etc., could be as well secured by the

limitation of hours to be worked in any one week or month, which would enable shops to remain open continuously while securing holidays for the staff. The same principle applied to the weekly half holidays.

Apart from this fundamental objection to the Bill, the Committee pressed for the following amendments to be made in the Bill as now presented :—

Clause 3 (1).—The fixing of the day for a holiday in lieu of Sunday should be left to the employer and not to Government.

Clause 3 (2).—Similarly in this section the fixation should be left to the employer.

Clause 5.—As stated above, the limitation of the total number of hours to be worked should be adopted and not the fixing of an extra half holiday, the intention of which latter measure could easily be evaded in the manner described previously.

Clause 2 (*a*) (*Definitions*).—The words " Government or Municipal Office establishment " should be added, as, if Government considered this legislation desirable their own employees should not be excluded from its advantages.

The Committee were of opinion that the Act should not be made to apply to the clerical establishments of factories which were subject to the Factories Act.

In conclusion the Committee stated that owing to the existing conditions produced by the war, legislation of this description should not be introduced until after the war.

The Bill was introduced in the Legislative Assembly on the 27th October 1941. It was understood, however, that it would not be proceeded with until the 1942 Budget session.

DEARNESS ALLOWANCE TO STAFF.

RAILWAY STAFF.

(*Report* 1939, *page* 48 ; 1940, *page* 180.)

In August 1940 the Government of India in the Department of Labour appointed under section 3 of the Trades Disputes Act, 1929, a Court of Inquiry under the chairmanship of the Hon'ble Mr. Justice B. N. Rau, KT., C.I.E., I.C.S., in connection with a dispute between the G.I.P. Railway and its workmen regarding the grant of a dearness allowance.

The terms of reference to the Court were as follows :—

What was the rise in the cost of living for the lower paid staff since the outbreak of war in the various areas in which they are employed ?

Having regard to the previous movements in wages and prices did the rise since the outbreak of war establish a case for a war allowance for the lower paid staff ?

If so, in what areas and subject to what conditions should an allowance be given ?

How should allowance, if any, be regulated if the cost of living rose or fell later ?

The Report of the Court of Inquiry was published in the month of January 1941. In order to enable its inquiry to be conducted expeditiously, the Court decided to confine it to the employees of the G.I.P. Railway. It was announced that if, as a result of the inquiry, Government adopted any principles regulating the grant of an allowance to any classes of workers on the G.I.P. Railway, these principles would also be applied to any other railway servants to whom such principles were equally applicable.

The Court recommended the grant of a monthly allowance of Rs. 3 per head to employees whose earnings did not exceed the subsistence level for their area. In order to make the relief more equitable to those on the margin, the Court proposed that to all adult employees whose earnings exceeded the subsistence level for that area by

less than Rs. 3, an allowance enough to make the difference equal to Rs. 3 should be granted. Employees below 17 years of age were recommended half the above rates.

For the purpose of granting the allowance the Court advocated three subsistence levels: the Bombay level of Rs. 35 per month, for the Bombay-Kalyan section; the urban level of Rs. 30 per month for the Poona-Igatpuri section and a rural or semi-rural level of Rs. 25 per month for the other sections, with certain exceptions. In the Court's view the urban level should apply to any town with a population of not less than 20,000; to the railway settlements at Manmad, Bhusaval and Dhond and to any other area that the railway administration might think fit to classify as urban for this purpose. These estimates were, however, only for the limited purposes of the present inquiry and were not meant to lay down a general living wage for all purposes.

As regards the regulating of allowances in future, the Court strongly emphasized the continued need for strict price control, especially in the remoter places in the interior, and recommended a revision of the rates every three months, no change being made in the allowances in force until the cost of living index figures fell or rose by full five points.

The Government of India reconsidered the question of granting a war allowance to railway servants employed under them in the light of the report presented by the Court of Inquiry which considered the matter on the G.I.P. Railway.

The Government of India found themselves unable to accept in its entirety the arguments leading to the Court's conclusions. In particular they could not concur with the view that the levels of wages selected by the Court constituted "an efficiency or subsistence level" representing the minimum necessary to maintain health and working capacity, or in the corrections made by the Court in the Bombay cost of living index figure. On the other hand

there had been since the Court's report changes in the cost of living which had to be taken into consideration.

In the light of these considerations the Government of India felt that instead of attempting to base war allowance solely on an economic analysis, it would be better to proceed by negotiation; and the Railway Board was authorised to conduct discussions with the All-India Railwaymen's Federation.

The Federation, while not concurring with the views held by the Government of India regarding the arguments in the Report, felt that in the urban areas particularly the maximum pay for workers receiving an allowance should be fixed at higher levels than those selected by the Court.

Eventually it was agreed that an allowance might be given on the following scales :—

Bombay and Calcutta (including suburbs) Rs. 3 to those on Rs. 60 and below;

Selected industrial areas, that is, towns of over 100,000 inhabitants, according to the 1931 census Rs. 2-8 to those on Rs. 50 and below;

Other areas Rs. 2 to those on Rs. 30 and below.

This scale did not correspond with that approved by the Government of India for Provincial Governments for application to Government servants generally. But the Government of India felt that if the railways' capacity to pay might be taken into account the effect of this factor could not be one-sided. In the past the financial situation of the railways had necessitated reductions in pay and allowances and at the existing time it was reasonable that the railways, like other large industrial organisations, should enable their employees to benefit from the prosperity they were enjoying.

They recognised, moreover, that the existing conditions involved increased work for many railway employees and

they were anxious, as far as they reasonably could, to endorse an arrangement reached by methods of amicable negotiations without any interruption of work.

Following a recommendation made by the Court, payments were made equivalent to those which would be due if the allowances had been in force from 1st October 1940, that is, if they had been applied to the pay for September 1940, and subsequent months.

As regards the future, the Government of India, acting on the Court's recommendations that they should consider the question of preparing and maintaining cost of living index figures for their own purposes, decided to establish the necessary machinery and the allowances given, which must of course mainly depend on the railways' capacity to defray them would be subject to revision in the light of the results achieved by the investigating authorities.

DEARNESS ALLOWANCE TO STAFF.

The Chamber's Staff.

In view of the increased cost of living the Committee decided to pay to the menial staff of the Chamber a temporary allowance at a flat rate of Rs. 3 per month for all those receiving less than Rs. 60 per month as and from 1st March 1941. It was agreed that this allowance should be paid in any particular month if the Bombay City cost of living index average over the three preceding months was 117 or more. The allowance would be continued even if the index figure fell below 117 in any particular month, but would be discontinued if the average for three consecutive months fell below 117.

The Committee also decided to pay, in respect of the increased cost of living, to those members of the Chamber's clerical staff whose salary was not in excess of Rs. 150 a month, a sum of Rs. 5 per month when the index figure was 123 or under and Rs. 7-8 when the index figure was over 213. This payment took effect from the 1st of July 1941.

WAR INJURIES TO EMPLOYEES.

LIABILITY OF EMPLOYERS.

(*See Report* 1940, *page* 174.)

At the annual meeting of the Associated Chambers of Commerce of India held at Calcutta in December 1940 the following resolution was moved by the Bombay Chamber and carried unanimously :—

"This Association urges upon the Government of India the advisability of enacting without delay legislation with a view to :— (*i*) relieving employers of their liability to pay compensation under the Workmen's Compensation Act in respect of injuries that may be caused to operatives by the acts of an enemy or acts done in repelling the enemy; and (*ii*) providing for the payment by the State of compensation to such operatives.

In connection with the above the Bengal Chamber, in April 1941, urged the Government of India to take prompt action to amend the Workmen's Compensation Act in order to exclude any liability which it placed at the moment on employers in respect of injury to their employees caused by enemy action and that special legislation should be undertaken in India on the lines of the United Kingdom Injuries (Emergency Provisions) Act, 1939.

The Committee associated themselves with the views expressed by the Bengal Chamber and expressed a hope that Government would take urgent action to remedy the position.

At the outbreak of the war, insurance companies tacitly accepted under workmen's compensation policies the liability of employers to pay compensation to employees for war injuries although this was a risk not originally contemplated under a workmen's compensation policy. Insurance companies took no steps to exclude war risks as it was expected that the representations of commercial and industrial bodies would result in legislation being enacted in this country on the same lines as that in force in the United Kingdom by which the Government relieved the

employer from liability to pay compensation for injuries due to war risks. As, however, Government had not introduced such legislation the insurance companies felt that, under existing conditions, they could not continue to include war risks under their policies. Insurance companies accordingly gave notice to their clients of cancellation of their policies but intimated that they would be pleased to continue the contract subject to the following endorsement which excluded war risks :

" This policy does not provide indemnity in respect of liability directly or indirectly proximately or remotely occasioned by or contributed to by or traceable to or arising out of or in conjunction with war invasion act of foreign enemy hostilities or warlike operations (whether war be declared or not) civil war mutiny insurrection rebellion revolution conspiracy military or usurped power."

It was at first intended to exclude war risks from all new motor policies and renewals covering workmen's compensation liability to drivers and cleaners as from 1st August 1941, but it was eventually decided to withdraw the proposal for the moment.

Intimation was, however, received in July 1941 that after further consideration it had been decided that as from 1st August 1941 the endorsements extending new motor Policies to cover legal liability to paid drivers and/or attendants under the Workmen's Compensation Act should exclude war risks in terms of the following proviso :—

" Provided further that this endorsement does not indemnify the insured in respect of liability directly or indirectly proximately or remotely occasioned by or contributed to by or traceable to or arising out of or in connection with war invasion act of foreign enemy hostilities or warlike operations (whether war be declared or not) civil war mutiny insurrection rebellion revolution conspiracy military or usurped power ; "

and that this exclusion should apply to current policies on renewal.

On the 25th July 1941 the Governor-General promulgated an Ordinance (No. VII of 1941) to make provision for the grant of relief in respect of certain personal injuries sustained during the continuance of the present hostilities.

The Ordinance in effect suspended the operation of the Workmen's Compensation Act, 1923, and any common law or contractual liability for compensation or damages arising out of the war in respect of a war injury.

For purposes of record the Ordinance is printed in full in the Appendices.

BURSTING OF THE MONSOON.

On the 18th June 1941 the Meteorologist, Bombay, informed the Chamber that the south-west monsoon burst over Malabar on the night of the 22-23rd May 1941 and over Bombay on the morning of the 5th June 1941.

WEATHER WORKING DAYS.

The following days during the monsoon months of 1941 were declared to be half or non-weather working days for vessels in the docks :—

Monday, 30th June, Half-weather working day.
Tuesday, 1st July, Non-weather working day.
Thursday, 3rd July, Half-weather working day.
Wednesday, 3rd September, Half-weather working day.
Thursday, 4th September, Half-weather working day.
Tuesday, 16th September, Half-weather working day.

The Deputy Conservator of the Port, in consultation with a representative of the Chamber, decided that the following days were half or non-weather working days for vessels working in the stream :—

Monday, 30th June, Non-weather working day.
Tuesday, 1st July, Non-weather working day.
Wednesday, 2nd July, Non-weather working day.
Thursday, 3rd July, Non-weather working day.
Monday, 7th July, Non-weather working day.
Tuesday, 8th July, Half-weather working day.
Wednesday, 9th July, Half-weather working day.
Thursday, 10th July, Half-weather working day.
Friday, 11th July, Non-weather working day.
Saturday, 12th July, Half-weather working day.
Monday, 4th August, Non-weather working day.
Tuesday, 2nd September, Half-weather working day.
Wednesday, 3rd September, Half-weather working day.
Thursday, 4th September, Half-weather working day.

ARRIVALS OF COTTON IN BOMBAY BY MOTOR LORRY.

(*See Reports* 1937, *page* 214 ; 1938, *page* 180 ; 1939, *page* 208.)

It was recorded in the Report for 1939 that the Chamber had pressed on the Government of Bombay the necessity for introducing legislation for the purpose of giving the Municipal Corporation power to collect, on behalf of the Chamber, detailed statistics of the arrivals of cotton into Bombay by motor lorry.

In July 1941 the Government of Bombay intimated that if the Chamber was willing to bear the cost of the municipal staff who would be employed for the work they would consider further the question of legislating so as to empower the municipal staff to stop and search vehicles for the purpose of collecting the required statistics.

After consulting the other associations and bodies interested in the statistics. the Committee informed the Government of Bombay that in view of the recent introduction of petrol rationing which would have a serious effect on lorry traffic, and the conditions prevailing owing to the war which had greatly altered the position of railways *vis-a-vis* road transport, they had come to the conclusion that it would be preferable to leave the matter in abeyance until the conclusion of hostilities. The Committee added that the Chamber was not willing, for the time being, to bear the cost of collecting the statistics.

The Chamber was subsequently informed that Government had decided to leave the matter in abeyance till the termination of hostilities.

CURTAILMENT OF AREA UNDER COTTON.

(*See Report* 1940, *page* 193.)

In May 1941 the Government of Bombay requested the views of the Chamber on a suggestion by the Indian Central Cotton Committee regarding the possibility of curtailing the area under short-staple cotton. The Indian

Central Cotton Committee in their letter to the Government of Bombay stated that the position of Indian cotton was examined by them in the light of the existing unsettled conditions of the world at its meeting held in January 1941 and after a lengthy discussion the following resolution was passed :—

"The Indian Central Cotton Committee views with increased concern the low prices of Indian cotton, especially short-staple cotton, mainly as a result of the loss of foreign markets in Europe and unsettled conditions in the Far East, and feels that the economic condition of the Indian cotton grower is in large part precarious and there are strong reasons for believing that it will further deteriorate unless prompt steps are taken to deal with the situation. The Committee accordingly recommends that the Government of India should take such steps, in the interests of the cotton grower, as may be necessary to relieve the situation. The Committee, in this connection desires to make the following recommendations :—

(1) The Government of India, in co-operation with manufacturing and trading interests, should take effective measures to expand the consumption of cotton goods, and cotton and woollen mixtures in this country and their export overseas. These should include, *inter alia :*

(*a*) directions to the Department of Supply and the Indian Stores Department that, except in such cases where it is absolutely essential to ask for cloth requiring the use of long-staple imported cotton, specifications for their requirements should be so framed or altered as to encourage the use of Indian cotton ;

(*b*) representations to all colonial and Empire Governments to ensure that India's cotton goods are admitted to those countries on the same terms and conditions as are accorded to British cotton goods ;

(*c*) the adoption of suitable measures for restricting the import of cotton goods and artificial silk yarn and piecegoods into this country ;

(*d*) the establishment by Government of a central export organisation with suitable arrangements for the inspection of goods before export and the deputation of a trade delegation to other countries for the purpose of carrying out propaganda and exploring the possibilities of introducing Indian cotton manufactures.

(2) Subject to the exigencies of war demands on shipping more adequate facilities should be provided for the export of Indian cotton, special preference being given to short-staple cotton.

(3) Foreign cotton should not be purchased by Government for sale in India.

(4) Financial assistance should be afforded to mills and the trade by Government for the warehousing or stocking of more than their normal holdings of short-staple cotton.

Should Government so desire it, the Committee will be prepared to appoint a small sub-committee to discuss with the representatives of the Government of India any points that may arise in connection with the measures suggested in this resolution."

During the discussion at the meeting, the view was expressed that while the adoption of the measures suggested in the resolution would help to increase the consumption of Indian cotton in India, a solution for the problem of the disposal of the surplus short-staple cotton resulting from the loss of markets in Europe would still have to be found. The extent of this loss was estimated at 859,000 bales on the basis of the average annual exports of Indian cotton (mainly Bengals, Oomras, Dholleras and Comillas) during the three seasons ending 31st August 1939. The surplus of short-staple was not likely to be reduced materially by increased activity in the Indian mill industry, and should the situation in the Far East develop unfavourably, the plight of the grower of short-staple cotton would be considerably aggravated, as, despite reduced takings in recent years, Japan still remained the largest single buyer of such cotton.

In the opinion of the Indian Central Cotton Committee, one way of meeting the situation would be by reducing the area under short-staple cotton. In this connection it was mentioned that about two years ago, when prices of cotton had fallen considerably the question of reducing the area under cotton in India was examined by the Committee but it was then agreed, after consulting Provincial Governments that curtailment of area was not a feasible proposition owing to the difficulty of suggesting an alternative cash crop to the cultivator. In view of the importance of the matter, however, the Committee felt that the matter should be re-examined in the light of the existing situation, for it might be found that the difficulties were not so great as had been anticipated.

The Indian Central Cotton Committee accordingly suggested that the possibility of curtailing the area under short-staple cotton might be re-examined in the light of the existing situation.

The Committee of the Chamber in reply drew the attention of the Government of Bombay to the letter addressed by them to the Government of India in December 1940 in which certain views had been expressed on the position of Indian cotton (see Chamber's Report for 1940, page 193). The Committee felt that while the question should be carefully examined, they did not think the Chamber was in a position to advance any further views of value on the subject, which must be dealt with by the Agricultural Departments and those in close touch with the farmers.

BY-LAWS OF THE EAST INDIA COTTON ASSOCIATION LIMITED.

During the year under review several notifications were issued by the Government of Bombay publishing for criticism certain amendments which the Board of Directors of the East India Cotton Association, Ltd., proposed to make in the by-laws of the Association. The Committee had no remarks to offer on the proposed amendments except that they associated themselves with a representation made by the Cotton Buyers' Association urging that the delivery months for Broach should be April, June and August and in the case of Oomras, the delivery months should be January, March, May and July.

The Committee, at a subsequent date, supported a further representation of the Cotton Buyers' Association protesting against the introduction of March Broach and December Oomra contracts, as they considered the delivery period was too early for any reasonable quantity of cotton to be available for delivery and would make these contracts liable to be "squeezed."

ALL-INDIA RADIO.

COMMERCIAL BULLETINS.

(*See Report* 1939, *page* 218.)

In December 1941 the Associated Chambers of Commerce of India requested the views of the Chamber on a suggestion of the Controller of Broadcasting, All-India Radio, that the short-wave stations might extend their programme for listeners in rural areas of broadcasting prices of agricultural and industrial commodities by giving periodic talks on the trend of the markets. As the proposal raised important issues which had to be guarded against, such as the possibility of encouraging speculation, the Chambers were asked for their views on the matter and in particular for their remarks and suggestions on the following points :—

(*a*) Should these talks turn round : (i) commodity prices or (ii) economic trends or (iii) be in the nature of economic surveys only ?

(*b*) To what extent were such talks, if arranged, likely to prove useful to the business community ? The average listener would obviously have little interest.

(*c*) How often should such talks be given ?

(*d*) Would it be possible to secure the co-operation of eminent business men and other suitable authorities for giving these talks ? As the responsibility for all matter broadcast rested finally with the All-India Radio Department, it would be appreciated that such talks should be entirely unbiased and should be given by persons on whose co-operation and discretion the Department could fully rely.

(*e*) Would well-known business men and impartial speakers who could give such talks be easily available at Delhi for this purpose ? If so, the talks could be given from Delhi and relayed by other stations.

(*f*) What language(s) were suggested.

The Committee informed the Associated Chambers that in their view commercial bulletin broadcasts such as were suggested were of little interest to the public. They would be listened to in the main in the hope of securing information with a view to speculation and it was unlikely that the services of eminent business men could be secured to deliver broadcasts on economic trends.

INTERNATIONAL SUGAR AGREEMENT, 1937.

Under Article 16 of the International Sugar Agreement, 1937, to which India was a party, the exports of Indian sugar by sea elsewhere than to Burma were prohibited. The Agreement was for a period of five years and its term was due to expire on the 31st August 1942. Article 50(*a*) and Article 50(*b*) of the Agreement laid down that the contracting Governments should decide at least six months before the expiration of the existing Agreement whether it should continue for a further period and if so, on what terms, and that in the event of unanimity not being attained the Governments which desired to maintain the Agreement should be entitled to do so as between themselves.

The International Sugar Council at London considered the question of the extension of the Agreement and made a recommendation to the contracting Governments that the agreement be continued :—(*a*) either for the duration of the hostilities and for one clear quota year after date of the termination of hostilities (the date being deemed for this purpose to be the date on which a general armistice is signed between the United Kingdom, and her Allies and Germany and her Allies) or (*b*) for a period of 2 years from 31st August 1942, whichever was less.

In December 1941 the Director of Industries enquired whether the Chamber had any remarks to offer in the matter.

The Committee informed the Director that in their view any extension of the Agreement should make provision

to permit the export of sugar from India. The Committee suggested that the Indian Sugar Mills Association, Calcutta, was in a better position to furnish full details in regard to the feeling of the industry in this country, and information should be obtained direct from this source.

COMMERCIAL LITIGATION.

INJUNCTIONS AGAINST ARBITRATION PROCEEDINGS.

(*See Report* 1931, *Volume I, page* 282.)

At the annual meeting of the Associated Chambers of Commerce of India held at Calcutta on the 15th December 1941, the Karachi Chamber moved the following resolution:—

"This Association begs to invite the attention of the Government of India to the present unsatisfactory position in regard to commercial litigation in the Punjab."

The resolution was seconded by Mr. J. M. B. Gibbons on behalf of the Bombay Chamber. The representative of the Northern India Chamber, in supporting the resolution, suggested the addition of the words "particularly with a view to getting the law amended." Mr. Gibbons suggested the addition of the following words "owing to loopholes in the law." The resolution was eventually adopted, with the amendment of Mr. Gibbons, in the following form :—

"This Association begs to invite the attention of the Government of India to the present unsatisfactory position in regard to commercial litigation in the Punjab owing to loopholes in the law."

MANGANESE ORE.

FEE FOR WORKING ON SUNDAYS AND HOLIDAYS.

In September 1941, in replying to a suggestion of a member that the fee of four annas per ton charged by shippers' loading contractors for working manganese ore or pig iron on Sundays, holidays and at night time, should be abolished, the Committee pointed out that this fee was due to labour demanding extra wages at the wagon loading

depots for working on Sundays, etc. It was agreed by the shipping companies to pay this fee in order to avoid detention to vessels and it was in the interests of the Ministry of War Transport to continue this practice.

MILDEWED GOODS.

(*See Report* 1914, *page* 82.)

In March 1941, in reply to an inquiry from an importing house as to whether there was any rule stipulating a time limit during which complaints should be lodged when goods were found to be mildewed, the Committee stated that the Chamber had laid down no rule.

SURVEY OF INVESTIGATIONS IN INDUSTRIAL RESEARCH.

(*See Report*, 1940, *page* 187.)

In the Chamber's Report for 1940 it was recorded that the Government of India had set up, with effect from the 1st April 1940, for a period of two years in the first instance, a Board of Scientific and Industrial Research, the functions of which would be to advise Government as to the lines on which such research should be conducted and the channels into which it should be guided in order best to serve the object of ensuring the co-ordinated development of Indian industries, particularly of those the importance and possibilities of which had been prominently brought into the foreground as a result of the conditions created by the war.

Valuable results of research schemes instituted at the instance of the Board or conducted at the Central Government's laboratories at Alipore, Calcutta, had been achieved and the possibility of their industrial utilisation proved to the satisfaction of the Board. Early in the year under review, the question as to how best these results could be

utilised in practice engaged the attention of the Government of India, who came to the conclusion that they should take the advice in this connection of a Committee of non-officials to be called the Industrial Research Utilisation Committee consisting of :—

President :—The Hon'ble Diwan Bahadur Sir A. Ramaswami Mudaliar, Member of the Governor-General's Executive Council in charge of the Department of Commerce and Labour.

Members :—Sir Shri Ram, KT., New Delhi ; Sir Ardeshir Dalal, KT., Bombay; Sir Homi Mody, K.B.E., M.L.A., Bombay; Sir Sultan Ahmad, KT., Patna; Mr. Kasturbhai Lalbhai, Ahmedabad ; Mr. (now Sir Henry) Richardson, Calcutta ; Sir Frederick James, KT., Madras ; Sir Rahimtoola Chinoy, KT., Bombay ; Sir Jwala Prasad Srivastava, KT., Cawnpore ; Khan Bahadur Sir Saiyed Maratab Ali Shah, KT., Lahore : Sir Abdul Halim Ghuznavi, KT., Calcutta ; Diwan Bahadur C. S. Ratnasabapathy Mudaliar, Coimbatore ; Mr. Nalini Ranjan Sarkar, Calcutta ; Mr. (now Sir Frederick) Stones, O.B.E., M.L.C., Bombay ; and Dr. Sir Santi Swarup Bhatnagar, KT., Director of Scientific and Industrial Research. (co-opted member).

Secretary :—Mr. T. S. Pillay, General Secretary of the Board of Scientific and Industrial Research.

The functions of the Committee were to advise the Central Government on :—(1) the selection of the particular industrial concern or concerns to which the results of research schemes should be made available for utilisation ; (2) the terms and conditions including the question of payment for royalties, etc., on which this could be done ; (3) the question of the division of the royalties on patent rights, which will vest in the Central Government, as between the Central Government on the one hand, and, on the other, the Provincial Governments, institutions, and scientists responsible for the research, and as among the scientists themselves, and (4) generally the best methods whereby

the industrial developments of the research could be undertaken and an equitable arrangement made for securing that the services of the scientists concerned were adequately rewarded. The Central Government would be the final authority to decide how the results of research schemes placed before the Industrial Research Utilisation Committee would be utilised and by whom, and on all other matters on which the advice of the Committee was sought.

The first meeting of the Industrial Research Utilisation Committee took place at New Delhi on the 12th February 1941, and the following, among other, general conclusions were reported to have been arrived at :—

(*a*) Research schemes which can be exploited without much capital investment or the erection of plant and machinery or as cottage industries and are of general public benefit, may be released to the public without any conditions regarding royalty being attached thereto.

(*b*) With reference to other research schemes, applications should be invited on the widest scale possible from those interested in the developmen. of such research schemes.

(*c*) Where there is no question of patent rights with reference to a research scheme and only a secret process is involved in its utilisation, such secret process may, under certain specified conditions, be handed over to any industrial concern or concerns.

(*d*) Where a research scheme has been handed over to more than one concern and, further research is conducted at the instance of any of these concerns, the results of such further research should be given to all the concerns, to whom the research scheme has been handed over for exploitation.

(*e*) The Government will have the advice of an *ad hoc* committee in the selection of the concern or concerns which will utilise the research scheme. The *ad hoc* committee should be composed of members of the Utilisation Committee who have some special knowledge of the problems of a particular industry intended to be promoted, but who have no personal interest in the promotion of that particular industry.

(*f*) The question of allocation of any royalties as between the Central Government and any Provincial Government or institution, may be left to be decided by the Central Government in consultation with the Provincial Government or institution, if necessary, on the merits of each case. The distribution of that portion of the royalty which is allocated to the scientists responsible for the research will be

on the basis of equality among the scientists associated with that research.

(*g*) Royalty received by the Central Government may be constituted into a separate fund for the further development of industrial research.

(*h*) As regards results to research that appertain to some basic trade of general importance, the Government may undertake its utilisation either directly or through a new concern promoted in which the Government may be represented through directors or impose such control as it may deem necessary on the concern for achieving the object in view, namely, the availability of the basic product to all industries requiring it at normal prices, etc.

(*i*) There should be an organisation which will be in charge of the results of the various researches and which would give all the necessary information to applicants who wish to utilise these researches.

(*j*) A journal entitled "Indian Industry" might be published under the auspices of the Committee, containing information relating to industrial research and its utilisation. The lines on which the journal should be conducted, including the question of an Editorial Committee which will be in charge of the journal, will be the subject of recommendation at the next meeting of the Committee.

Copies of non-technical notes prepared under the auspices of the Board of Scientific and Industrial Research in connection with the following were received by the Chamber during the year and members interested were requested to communicate with the Government of India, Commerce Department, in the event of their being prepared to undertake the utilisation of the results of the researches :—

1. Laminated Paper Fibre Board.
2. Dry Cell Manufacture.
3. Resin Impregnation of Wood.
4. Manufacture of Glass Substitutes.
5. Bhilawan Stoving Enamel and Allied Products.
6. Manufacture of Luminous Pigments and Paints.
7. Substitute for Corks and Allied Products.
8. Manufacture of Stearic and Oleic Acids.
9. Manufacture of Oil Plastics and Moulded Articles prepared therefrom.

POST-WAR ECONOMIC AND INDUSTRIAL RECONSTRUCTION.

On the 6th June 1941 the following Press Note was issued by the Commerce Department of the Government of India :—

After the experience of twenty years ago, no argument is necessary to support the statement that, following upon the great and steadily increasing dislocation of economic, and particularly industrial, conditions caused by the war, an equally great, but more abrupt, dislocation of those conditions is to be expected on the return of a state of peace.

Industries that are now being developed as rapidly and extensively as possible will no longer be actively engaged upon urgent war contracts; labour that has been employed on those industries will become redundant; and stocks of materials and finished articles prepared for war uses will become surplus and their disposal will have to be arranged.

Although the details of these problems cannot be accurately forecast, their broad outline is plainly visible, and the Government of India have come to the conclusion that it is not too soon to begin to survey them while there is yet time to do this without incurring the perils which attend hasty improvisation, so that they may be prepared with their plan when the anticipated emergency comes.

The Government of India have accordingly decided to appoint a Reconstruction Committee, to be presided over by the Hon'ble the Commerce Member, the other members of which will be the Economic Adviser to the Government of India and representatives of the Finance Department, the Commerce Department, the Defence Department, the Department of Education, Health and Lands, the Labour Department, the Department of Supply and the Railway Board.

This committee will, it is expected, arrange for the bulk of its detailed work to be done by sub-committees appointed to deal with various problems, and its main functions will therefore be to direct and co-ordinate the work of the sub-committees. It is further intended that persons with special knowledge, whether official or non-official, shall be added to the various sub-committees.

In due course, arrangements will be made to bring the main committee and the sub-committees into touch with Provincial and State Governments and to enable them to obtain the advice of industrialists and other business men who will be in a position to give valuable assistance on the diverse problems which will arise from time to time.

The Government of India consider that the most effective way of bringing expert opinion to bear is by way of inviting its collaboration with reference to specific problems and not by enlarging the main committee, especially as experience shows that an unduly large committee cannot function efficiently.

The first meeting of the main committee is likely to be held at an early date and it will then be asked to consider the appointment of sub-committees and the assignment of tasks to them.

The first meeting of the Reconstruction Committee (Co-ordination) was held at Simla on the 23rd June 1941 and following the decisions reached at that meeting the Government of India decided to constitute the following four Committees, namely, (*i*) Reconstruction Committee—Labour and Demobilisation, (*ii*) Reconstruction Committee—Disposals and Contracts, (*iii*) Reconstruction Committee—Public Works and Government Purchases and (*iv*) Reconstruction Committee—Trade, International Trade Policy and Agricultural Policy, to survey the problems that were likely to arise at the end of the war and to prepare such plans as might be deemed necessary, for the consideration of the Governor-General in Council. As the Government of India desired that these Committees should have the co-operation of representatives of Indian business and industry, whose knowledge and experience would be of great value in the execution of their tasks, they requested the Associated Chambers of Commerce of India to nominate a member each to represent them on the first three Committees named above. As regards the fourth Committee, the Government of India requested the Associated Chambers to be represented on it by their President and one other member. It was pointed out that arrangements would be made for the separate representation of the textile industry on the first two Committees and of the engineering and iron and steel industries on the first three Committees. The leather industry would be separately represented on the second Committee and the cement industry on the third Committee.

In response to an inquiry by the Associated Chambers the Committee stated that they did not desire to nominate

representatives to serve on any of the Reconstruction Committees, and were later informed that the following had been elected to represent the Association on these Committees :—

(i) *Reconstruction Committee—Labour and Demobilisation.*
Mr. E. S. Millar, Attock Oil Co., Ltd., Rawalpindi.

(ii) *Reconstruction Committee—Disposal and Contracts.*
Sir Bernard Pratt, KT., Imperial Chemical Industries (India) Ltd., 18, Strand Road, Calcutta.

(iii) *Reconstruction Committee—Public Works and Government Purchases.*

Sir Henry Birkmyre, Bart., Messrs. Birkmyre Brothers, 8, Clive Row, Calcutta.

(iv) *Reconstruction Committee—Trade, International Trade Policy and Agricultural Policy.*

(*a*) Mr. G. B. Morton, O.B.E., M.C. (President of the Associated Chambers of Commerce), Messrs. Bird & Co., Chartered Bank Buildings, Calcutta.

(*b*) Mr. W. K. M. Langley, O.B.E., M.L.A., Calicut, Malabar, Madras.

INDUSTRIAL STANDARDISATION IN INDIA.

The Imperial Conference in 1926 adopted the following resolution on the subject of standardisation of industrial products :

"The Imperial Conference, recognising the advantages of standardisation in its widest sense both to producers and to consumers, and appreciating that when it is practicable to adopt standards common to the Empire these advantages are augmented and great benefit results to trade within the Empire and Empire trade generally, recommends to the favourable consideration of the several Governments of the Empire that they should take steps to promote the further development of standardisation, should arrange for the exchange of information with the other parts of the Empire, and, when common standards are possible and mutually advantageous, should co-operate with the other parts of the Empire in regard thereto."

The Imperial Conference of 1930 also commended the development of standardisation within the various parts of the British Commonwealth of Nations. This Conference also recommended the adoption of marks or brands by the various standardising bodies and urged that in each part of the Commonwealth, Government should accord their support to standardisation by way of financial assistance, of the co-operation of the purchasing Departments and otherwise. It also recommended that the scope of the work of the standardising bodies should include both standard specifications for industrial materials and apparatus and codes and rules. This Conference drew attention to the suggestion that a specific department of each Government within the Commonwealth should be charged with the duty of watching and stimulating the movement towards standardisation and simplification and expressed the view that there was considerable scope for activity, in the interests of consumers and manufacturers alike, by such Government Departments.

The Imperial Conference at Ottawa (1932) reiterated the need for the co-ordination of standardisation under a central body in each country to which support should be given by the Government. This Conferencere commended that with a view to assist the co-ordination of the work of national standardisation the following prmciples, as far as practicable, be observed.

(*a*) That the specifications should be in accordance with the needs of industry and fulfil a generally recognised want;

(*b*) That the community interest of producer and consumer should be maintained throughout;

(*c*) That the specifications should be arrived at by general consent;

(*d*) That periodical review and revision should be undertaken to prevent crystallisation and keep the specifications abreast of progress.

An Industries Conference was held in Lucknow in December 1940 when the whole question of industrial standardisation was discussed, and the following conclusion was reached.

"This Conference considers it most desirable that the question of standardisation may be examined and is of the opinion that this can only be done in the closest consultation with the Export Advisory Council which may be able to give valuable help with respect to export markets, etc. It recommends that such investigation as may be necessitated may be taken up by the Government of India."

In addressing the Chamber on the subject, the Government of India pointed out that it would be observed from the conclusion that the Industries Conference considered that the examination of the question of standardisation was most desirable and that it could only be done in closest consultation with the industries concerned. The Chamber was accordingly asked for its suggestions and observations on the question and the ways and means of bringing about some kind of standardisation of products.

The Committee informed the Government of India that they did not consider that the time was opportune to introduce standardisation owing to the abnormal working conditions existing at the moment due to the war.

POST-WAR CONSTITUTIONAL DISCUSSIONS.

London Liaison Committee.

At their meeting in Calcutta in December 1940 the Central Council of the European Association asked the President-elect, Mr. C. P. Lawson, to consult Sir Edward Benthall regarding the setting up of a London Liaison Committee with which the Association could correspond until post-war constitutional discussions necessitated more definite arrangements regarding representation at Home.

Mr. Lawson subsequently advised all branches that he had heard from Sir Edward Benthall, who supported the idea of a London Liaison Committee to represent the European Association at Home, to maintain touch with the India Office, and to organise propaganda which would keep the views of the Association before the public in Great Britain and the United States.

Sir Edward felt, however, that the Committee should not just be collected by him personally, but should be nominated by the various regional centres in India, so that those centres might feel that they were properly represented. He also thought it advisable that the nominations should carry the support of the Chambers of Commerce and Provincial European Groups as well as of the European Association, since it would be most undesirable to have more than one body representing European views at Home.

In endorsing Sir Edward Benthall's views, Mr. Lawson suggested that the Committee should consist of a Chairman and five members : Bengal, Bihar and Assam having two representatives between them ; and (*a*) Madras, (*b*) Bombay and Sind and (*c*) the U. P. and Punjab having one each. He requested the branches concerned to send him their nominations, so that he could ask Sir Edward Benthall, to ascertain how many of the nominees would be able to serve.

The Committee of the Bombay Branch of the European Association recommended that Sir Geoffrey Winterbotham (or Mr. W. G. Lely, if Sir Geoffrey could not serve) should be invited to represent Bombay, and inquired whether his nomination had the support of the Chamber.

The Committee informed the European Association, Bombay, that they were in agreement with the proposal to invite Sir Geoffrey Winterbotham or Mr. W. G. Lely to represent Bombay.

INDUSTRIES CONFERENCES.

TWELFTH AND THIRTEENTH.

(*See Report* 1940, *page* 7.)

It was recorded in the Chamber's Report for 1940 that the Twelfth Industries Conference was being held at Lucknow in December 1940. Subsequently the Chamber was informed by the Associated Chambers of Commerce of India that the following conclusion had been reached on a

proposal made at the Conference concerning the establishment of an Industrial Museum :—

"The Conference is of the opinion that the consideration of this question may be adjourned to the next Industries Conference and that in the meanwhile those interested in the question may be asked to furnish further details to the Government of India so that a Commercial Exhibition on a permanent scale may be organised and may function permanently. Suggestions as regards the place where it should be located and how it should be financed may also be invited."

The Associated Chambers requested Chambers interested to furnish further details of their proposals to the Government of India and suggestions as to the location of the museum and the means of financing it were also invited.

The Committee informed the Associated Chambers that they had no details to furnish but awaited with interest the outcome of the suggestions of the other Chambers.

In August 1941 the Government of India informed the Associated Chambers of Commerce of India that it was proposed to convene the Thirteenth Industries Conference towards the end of the year. The date and venue of the Conference would be decided later. In the meantime the Government of India published the following provisional agenda :—

I. Handloom weaving industry—

(*i*) Progress of the schemes of the handloom industry in the various provinces and the allotments for 1942-43, if it is decided to extend the grants-in-aid.

(*ii*) Consideration of the Report of the Fact Finding Committee, if ready.

II. Minutes of the seventh meeting of the Imperial Sericultural Committee.

III. Minutes of the sixth meeting of the Woollen Industry Committee.

IV. Matters arising out of the Proceedings of the meetings of the Board of Scientific and Industrial Research.

V. Establishment of a permanent Industrial Museum at the Imperial Capital (Provisional).

VI. Action taken on the recommendations of the Twelfth Industries Conference.

In addressing the Government of India in the matter the Committee offered their full support to a protest made by the Bombay Millowners' Association against the inclusion in the agenda of item I (*ii*) as they did not consider that an item should be discussed at the Conference before Government, in conjunction with the interests involved, had had a full opportunity of examining the position in the light of facts emerging from the inquiry. They therefore submitted that this item should be deleted from the provisional agenda of the Conference.

RULES OF THE NATIVE SHARE AND STOCK BROKERS' ASSOCIATION.

In July 1941 the Government of Bombay requested the views of the Chamber on certain amendments which the Native Share and Stock Brokers' Association proposed to make in its rules. The amendments were intended to enforce a scheme of compulsory intermediate settlements in certain circumstances.

After consulting the Finance Sub-Committee the Committee informed the Government of Bombay that the scheme appeared to be specially designed to safeguard the interests of financiers and thereby would encourage them to continue to lend money to the market for the purpose of carrying shares over from settlement to settlement. A system of margins was, in the opinion of the Committee, objectionable at the present time if it was to be the first step towards the removal of the existing restrictions on forward trading, and however much an entirely free market might be considered desirable it was most unwise to modify the existing restrictions for the duration of the war.

CONTROL OF FOOD ADULTERATION.

Proposed All-India Legislation.

(*See Reports* 1938, *page* 174 ; 1940, *page* 183.)

In connection with the question of the compulsory colourisation of vegetable product called for under the Punjab Artificial Ghee Colorisation Bill, it was suggested

by members interested in the trade that the Chamber might address the Government of India either direct or through the Associated Chambers of Commerce of India urging that all-India legislation should be introduced for the control of adulteration of foodstuffs, with special reference to vegetable product which was subjected to different regulations in almost every province. It was pointed out that the Bombay law was strict and fulfilled sufficiently the purpose for which it was made, it was also practicable and adopted a reasonable outlook towards the manufacturers of vegetable product. On the other hand, it was maintained that the law recently enacted in the Punjab appeared to be designed expressly to put the greatest possible obstacles in the way of the industry with a view to effacing it completely.

The Punjab Government had enforced the compulsory colourisation of vegetable product with a deep orange colour Oil Orange E. Since then it had been pointed out to the Punjab Government that the colour prescribed was poisonous and if used in vegetable product to the extent called for, would have a serious injurious effect on the health of the consumers. It had also been pointed out that the colour was not obtainable anywhere in India and that under war conditions importation from abroad was almost impossible. In view of this the Vanaspati Manufacturers' Association offered to the Punjab Government a practical and efficient alternative to visible colourisation by the latent colourisation obtained in all vegetable product by the compulsory addition of a small percentage of sesame oil. This, it was contended, would facilitate immediate detection when such vegetable product was used for adulteration of ghee. It had been adopted in many countries abroad for use in margarine for a similar purpose in relation to butter. The Vanaspati Manufacturers' Association had suggested to the Government of India that this alternate method might be accepted on an all-India basis to make a detection of adulteration really effective.

In July 1941 the Committee recommended to the Associated Chambers of Commerce of India that the suggestions put forward above might well be taken up by the Association with the Government of India.

EXHIBITIONS AND FAIRS.

Papers in connection with the following Exhibitions and Fairs were received by the Chamber during the year under review and were placed at the disposal of members.

Palestine Sales' Exhibit, Tel-Aviv, 2nd to 8th February 1941.

Indore Fete and Exhibition, Biscoe Park, Indore, 1st to 17th March 1941.

All-India Exhibition of Indian Chemical and Pharmaceutical Industries, College Street Market, Calcutta, from 21st March 1941.

Indian Industries Fair, Ahmedabad, 4th April to 4th May 1941.

All-India Swadeshi Exhibition, Trichur (Cochin State), 1st to 15th May 1941.

The 63rd Canadian National Exhibition, Toronto, 22nd August to 6th September 1941.

The 11th All-India Swadeshi Exhibition and Fair, Allahabad, 28th October to 14th November 1941.

Twelfth Jammu and Kashmir State Exhibition, 1941, Srinagar, 27th August to 30th September 1941.

Mysore Dasara Exhibition, 1941, Mysore, 22nd September to 7th October 1941.

Khadi and Industrial Exhibition, Lucknow, 21st November to 9th December 1941.

Sri Durga Puja Exhibition, 1941, Craddock Town, Nagpur, 21st to 30th September 1941.

Dhanbad Exhibition, 1942 (Eleventh Annual Session), Dhanbad, from 8th January 1942.

LIST OF ACTS AFFECTING COMMERCE AND INDUSTRY PASSED BY THE INDIAN LEGISLATURE DURING THE YEAR 1941.

Central Legislature.

I. Insurance Deposits (Temporary Reduction).
II. Indian Merchandise Marks (Amendment).
III. Petroleum (Amendment).
VI. Indian Railways (Amendment).
VII. Indian Finance.
VIII. Protective Duties Continuation.
IX. Indian Tariff (Amendment).
X. Tyres (Excise Duty).
XI. Excess Profits Tax (Amendment).
XIII. Insurance (Amendment).
XIV. Code of Criminal Procedure (Amendment).
XV. Code of Criminal Procedure (Second Amendment)
XVI. Factories (Amendment).
XVIII. Madras Port Trust (Amendment).
XIX. Mines Maternity Benefit.
XX. Professions Tax Limitation.
XXI. Federal Court.
XXII. Indian Merchant Shipping (Amendment).
XXIII. Indian Income-Tax (Amendment).
XXIV. Excess Profits Tax (Second Amendment).
XXV. Railways (Local Authorities Taxation).
XXVI. Indian Companies (Amendment).
XXVII. Trade Marks (Amendment).

Bombay Provincial Legislature.

I. Bombay Municipal Corporation (Extension of Term).

II. Bombay Prevention of Gambling (Amendment).

IV. Bombay Finance (Amendment).

V. Bombay Rent Restriction (Amendment).

VI. Bombay Agricultural Debtors Relief (Amendment).

IX. Bombay Abkari (Amendment).

X. Bombay Industrial Disputes (Amendment).

XII. Code of Criminal Procedure (Bombay Amendment).

XIV. Bombay Agricultural Pests and Diseases.

XV. Bombay Abkari (Second Amendment).

XVI. Bombay Industrial Disputes (Second Amendment).

XVII. Bombay Fodder and Grain Control (Amendment).

CHAMBER'S ACCOUNTS.

In presenting the Chamber's accounts for the year 1941, the Committee report that after making provision for income-tax and excess profits tax, there was an excess of income over expenditure of Rs. 72,362-4-3.

Receipts from membership subscriptions show a fall of Rs. 929 as compared with the previous year and from Statistical Returns a fall of Rs. 3,276. Measurement Fees show an increase of Rs. 69,187, Weighment Fees Rs. 3,334 and Miscellaneous Receipts Rs. 632. Arbitration Fees show a fall of Rs. 80 while Fees for Certificates of Origin show an increase of Rs. 22,087 and Fees for Certificates of Refraction show an increase of Rs. 237.

The total expenditure for the year shows an increase of Rs. 22,750-5-11 over 1940.

J. M. B. GIBBONS,
President.

G. S. TAUNTON,
Member of Committee.

C. H. COURTHOPE-MUNROE,
Secretary.

BOMBAY, 28*th February*, 1942.

THE BOMBAY CHAMBER OF COMMERCE.

(Incorporated under the Indian Companies Act, 1913.)

Balance Sheet as at 31st December, 1941.

LIABILITIES.			ASSETS.			
Outstanding Bills—			Office Furniture—			
Sundry Creditors		774 9 0	Estimated value as on 31st December 1928 less sales to 31st December 1935		7,525 0 0	
Advance Receipts		321 9 0	Additions at cost—			
			In previous years		6,873 13 0	
			In this year		1,625 0 0	
					16,023 13 0	
Reserves—			*Less*—Cost of Sales	1,575 0 0		
Passages	2,039 12 0		Depreciation—			
For taxation—			In previous years	12,631 6 0		
As per last Balance Sheet..	7,150 0 0		In this year	547 8 0		
				14,753 14 0		
Less—Paid in advance of 1940-41 and 1941-42 assessments ..	6,500 0 0		*Less*—Depreciation on assets sold ..	1,575 0 0		
	650 0 0				13,178 14 0	2,844 15 0
Add—Reserved out of the income of 1941	27,000 0 0		Statistical Furniture—			
		27,650 0 0	At cost		4,682 12 0	
			Less—Depreciation —			
			In previous years	4,162 4 0		
			In this year	270 12 0		
					4,433 0 0	249 12 0
			Measurement Furniture—			
			At cost		114 0 0	
			Added during the year		137 8 0	
					251 8 0	
For depreciation of Investments—			*Less* –Depreciation—			
As per last Balance Sheet..	2,985 8 0		In previous years	77 0 0		
			In this year	30 12 0		
					107 12 0	143 12 0

Add — Profit realised on sale of 48 shares in the Bombay Telephone Co., Ltd.	2,187 0 0						
		5,172 8 0					
			34,862 4 0				
Motor Car Reserve—							
As per last Balance Sheet ..	....		3,600 0 0				
Accumulated Funds—							
As per last Balance Sheet ..	2,15,749 11 5						
Add—Excess of Income over Expenditure (as per annexed Account) ..	72,362 4 3						
		2,88,111 15 8					
			2,88,111 15 8				
				Office Motor Car—			
				At cost	.. .. ..		3,600 0 0
				Measurement Department Chowkies—			
				At cost	.. .. ..	1,617 1 0	
				Less—Depreciation—			
				In previous years	404 5 0		
				In this year	404 5 0		
						808 10 0	
							808 7 0
				Investments—			
				At cost		....	3,07,342 3 0
				(Market Value Rs. 3,09,726 14 0)			
				Interest accrued on Investments		....	2,243 8 8
				Bills Receivable (since received Rs. 210)		....	537 10 0
				Advance Payments—			
				Due from the National Service Advisory Committee.		1,394 0 0	
				Deposit with the Government of India, Publication Branch		100 0 0	
							1,494 0 0
				Cash and other balances :—			
				In hand		40 6 0	
				With the Imperial Bank of India in current account ..		8,365 12 0	
							8,406 2 0
		Rs.	3,27,670 5 8			Rs.	3,27,670 5 8

J. M. B. GIBBONS,
President.

G. S. TAUNTON,
Member of Committee.

BOMBAY, 28*th February* 1942.

C. H. COURTHOPE-MUNROE,
Secretary.

THE BOMBAY CHAMBER OF COMMERCE.

(Incorporated under the Indian Companies Act, 1913.)

Dr. *Income and Expenditure Account for the year ended 31st December 1941.* *Cr.*

EXPENDITURE				INCOME.			
To—				By—			
Subscriptions—							
Weather and Crop Reports ..	51	10	0	Membership Subscription.		65,851	4 0
Federation of Chambers of Commerce of the British Empire ..	29	3	0	Statistical Returns ..	24,537	3 0	
Associated Chambers of Commerce of India	640	0	0	Special Statistical Returns	4,518	14 3	
		720	13 0	Statistical Miscellaneous Receipts	14	14 0	
						29,070	15 3
Chamber Office.				Measurement Fees ..	1,69,107	15 6	
Salaries	62,773	0	0	Weighment Fees	15,505	0 6	
Rent	7,200	0	0	Miscellaneous Receipts ..	1,279	0 0	
Printing Miscellaneous Papers, Annual Report for 1940, etc.	4,643	10	0			1,85,892	0 0
Advertisements	64	2	0	Fees—			
Books and Periodicals	412	3	0	Arbitration	....	130	0 0
Stationery	1,369	13	0	Certificates of Origin ..	....	31,967	0 0
General Charges	2,467	3	6	„ „ Refraction ..	....	835	0 0
Telephone	364	13	0	„ „ *Force Majeure*	....	25	0 0
Insurance—				Miscellaneous Receipts ..	....	64	0 0
Fire	14	1	0	*Interest on Investments—*			
Cash in Transit	185	6	0	Taxable	4,401	9 0	
Employer's Indemnity	136	7	0	*Less*—Income-Tax ..	945	13 10	
Contribution to the Provident Fund ..	5,220	9	4		3,455	11 2	
Law Charges	159	10	0	Tax Free	3,550	0 0	
Audit Fee	250	0	0			7,005	11 2
Motor Car Upkeep	2,636	7	6	Profit on sale of Furniture.	....	100	0 0
Replacements to Car	330	10	0				
Port Trust Ground Rent	100	0	0				
Furniture Depreciation	547	8	0				
Bonus to Staff	7,687	14	0				
		96,563	5 4				
Statistical Department.							
Salaries	20,007	0	0				
Statistical Typists' Salaries	4,644	0	0				
Cyclostyling Returns	3,688	10	0				
Printing Returns	1,492	8	0				
Contribution to the Railways	1,473	12	0				
Books and Periodicals	12	0	0				
Stationery	454	7	0				
Petty Charges	698	5	3				
Contribution to the Provident Fund ..	1,982	4	0				
Furniture Depreciation	270	12	0				
Bonus to Staff	2,908	8	0				
		37,632	2 3				
Measurement Department.							
Salaries	63,864	11	0				
Printing	1,766	0	0				
Stationery	277	7	0				
Telephone	237	1	0				
Bonus to Staff	10,097	4	0				
Petty Charges	1,002	1	0				
Weighment—Labour and Scales ..	1,695	7	0				
Repairs to Chowkies	771	0	3				
Furniture Depreciation	435	1	0				
Contribution to the Provident Fund ..	4,879	13	4				
Pensions and Gratuities	202	8	0				
		85,228	5 7				
Passage Reserve	1,000	0	0				
Reserve for Taxation	27,000	0	0				
Stock of Chamber's History written off.	434	0	0				
		28,434	0 0				
		2,48,578	10 2				
Balance, being excess of Income over Expenditure, transferred to Accumulated Funds	....	72,362	4 3				
	Rs.	3,20,940	14 5		Rs.	3,20,940	14 5

REPORT OF THE AUDITORS TO THE MEMBERS.

We have audited the foregoing Balance Sheet of the Bombay Chamber of Commerce as at the 31st day of December 1941, and also the foregoing Income and Expenditure Account for the year ended upon that date, and report that—

(a) we have obtained all the information and explanations which we have required;

(b) in our opinion, the foregoing Balance Sheet and Income and Expenditure Account are drawn up in conformity with the law;

(c) such Balance Sheet exhibits a true and correct view of the state of the Chamber's affairs according to the best of our information and the explanations given to us and as shown by the books of the Chamber, and

(d) in our opinion, books of account have been kept by the Chamber as required by Section 130 of the Indian Companies Act, 1913.

SHARP & TANNAN,
Chartered Accountants,
Registered Accountants.

BOMBAY, *28th February*, 1942.

J. M. B. GIBBONS,
President.

G. S. TAUNTON,
Member of Committee.

C. H. COURTHOPE-MUNROE,
Secretary.

THE BOMBAY CHAMBER OF COMMERCE PROVIDENT FUND.

Statement of Accounts from 1st January to 31st December 1941.

MEMBERS' ACCOUNTS			
Balance brought forward	....		4,05,544 11 4
Add—			
Subscriptions received from members	12,082 10 8		
Contributions paid by the Chamber	12,082 10 8		
Interest received and accrued	13,235 12 6		
		37,401 1 10	
			4,42,945 13 2
Deduct—			
Paid to members (inclusive of interest)	16,347 9 2		
Non-repayable withdrawals (Rule 28 (4))	725 3 0		
Transferred to Lapses and Forfeitures Account	247 3 1		
		17,319 15 3	
Balance at Credit of Members	....		4,25,625 13 11
LAPSES AND FORFEITURES ACCOUNT—			
Balance brought forward	12,795 8 3		
Forfeited during the year	247 3 1		
		13,042 11 4	
		Rs.	4,38,668 9 3

Held thus—

	Face Value.	Market value on 31st December 1941.	Cost Price.
	Rs.	Rs. a. p.	Rs. a. p.
2½ % 1948-52 Loan	52,000	50,505 0 0	51,634 6 0
3 % 1946 Defence Bonds	80,000	80,700 0 0	80,000 0 0
3 % 1949-52 Defence Loan	21,000	20,580 0 0	21,000 0 0
3 % 1951-54 Loan	52,500	51,712 8 0	52,068 12 0
3 % 1963-65 „	1,33,000	1,23,856 4 0	1,30,611 9 0
3½ % 1947-50 „	27,300	27,573 0 0	26,914 8 0
4 % 1960-70 „	61,500	66,573 12 0	60,386 2 0
	4,27,300	4,21,500 8 0	4,22,615 5 0
Add—Depreciation at this date		1,114 13 0	
	4,27,300	4,22,615 5 0	4,22,615 5 0
Interest accrued on investments and loans			3,127 3 8
Due by members (since received Rs. 117)			1,215 0 0
Cash with the Imperial Bank of India, in current account			11,711 0 7
			Rs. 4,38,668 9 3

Examined and found correct,

SHARP & TANNAN,
Chartered Accountants,
Registered Accountants,
Auditors.

J. M. B. GIBBONS,
President.

G. S. TAUNTON,
Member of Committee.

C. H. COURTHOPE-MUNROE,
Secretary.

BOMBAY, *28th February*, 1942.

Report

OF THE

Bombay Chamber of Commerce

FOR THE YEAR 1941

CORRESPONDENCE, DOCUMENTS AND STATISTICS

BOMBAY
G. CLARIDGE AND CO., LTD.
1942.

ROYAL ASIATIC LIBRARY OF THE BOMBAY BRANCH OF THE

WAR INJURIES TO EMPLOYEES.

ORDINANCE NO. VII OF 1941.

An Ordinance to make provision for the grant of relief in respect of certain personal injuries sustained during the continuance of the present hostilities.

Whereas an emergency has arisen which renders it necessary to make provision for the grant of relief in respect of certain personal injuries sustained during the continuance of the present hostilities;

Now, therefore, in exercise of the powers conferred by section 72 of the Government of India Act, as set out in the Ninth Schedule to the Government of India Act, 1935, the Governor-General is pleased to make and promulgate the following Ordinance :—

1. *Short title, extent and commencement.*—(1) This Ordinance may be called the War Injuries Ordinance, 1941.

(2) It extends to the whole of British India.

(3) It shall come into force at once.

2. *Interpretation.*—In this Ordinance, unless there is anything repugnant in the subject or context—

(1) " civil defence organisation " means any organisation established for civil defence purposes which is declared by a scheme to be a civil defence organisation for the purposes of this Ordinance and the scheme ;

(2) " civil defence volunteer," in relation to an injury, means a person certified, by an officer of a civil defence organisation authorised by the Central Government to grant such certificates, to have been a member of that organisation at the time the injury was sustained ;

(3) " continuance of the present hostilities " means the period beginning with the commencement of this Ordinance and ending with such date as the

Central Government may, by notification in the official Gazette, declare to be the date on which the present hostilities terminated ;

(4) "gainfully occupied person" means a person who is engaged in any trade, business, profession, office, employment or vocation and is wholly or substantially dependent thereon for a livelihood, or a person who, though temporarily unemployed, is normally so engaged and dependent ;

(5) "scheme" means a scheme made under this Ordinance ;

(6) "war injury" means a physical injury—

(*a*) caused by—

(*i*) the discharge of any missile (including liquids and gas), or

(*ii*) the use of any weapon, explosive or other noxious thing, or

(*iii*) the doing of any other injurious act,

either by the enemy or in combating the enemy or in repelling an imagined attack by the enemy ; or

(*b*) caused by the impact on any person or property of any enemy aircraft, or any aircraft belonging to or held by any person on behalf of or for the benefit of His Majesty or any allied power, or any part of, or anything dropped from, any such aircraft ;

(7) "war service injury," in relation to a civil defence volunteer, means any physical injury shown to the satisfaction of the Central Government or other authority authorised to make payments under a scheme to have arisen out of and in the course of the performance by the volunteer of his duties as a member of the civil defence organisation to

which he belonged at the time the injury was sustained, and (except in the case of a war injury) not to have arisen out of and in the course of his employment in any other capacity :

Provided that before being so satisfied the Central Government or other authority authorised to make payments under a scheme shall have received from the civil defence organisation of which the volunteer concerned was a member at the time the injury was sustained a report, by an officer of the organisation authorised by the Central Government to make such reports, about the injury in question.

3. *Power to make schemes for relief in respect of war injuries and war service injuries.*—(1) The Central Government may make a scheme or schemes in accordance with the provisions of this Ordinance providing for the grant of relief in respect of the following injuries sustained during the continuance of the present hostilities, namely : –

(*a*) war injuries sustained by gainfully occupied persons (with such exceptions, if any, as may be specified in the scheme) and by persons of such other classes as may be so specified ; and

(*b*) war service injuries sustained by civil defence volunteers.

(2) A scheme may authorise the Central Government, or any authority authorised by the Central Government to make payments under the scheme, in such circumstances and subject to such conditions as may be specified in the scheme to make to or in respect of persons injured—

(*a*) payments by way of temporary allowance, which shall be payable only so long as the person injured is incapacitated for work by the injury and has not received any such payment as is mentioned in clause (*b*) ;

(*b*) payments otherwise than by way of temporary allowance, which shall be payable only where the injury causes serious and prolonged disablement or death ; and

(*c*) payments for the purchase of or the grant at the cost of Government of artificial limbs or surgical or other appliances.

(3) A scheme may empower the Central Government to make regulations for giving effect to the purposes of the scheme.

(4) A scheme may provide that it shall come into operation or shall be deemed to have come into operation on such date as may be specified therein.

(5) A scheme may be amended or rescinded at any time by the Central Government.

(6) Any decision of the Central Government or other authority empowered to make payments under a scheme as to the making, refusal or amount, or as to the continuance or discontinuance, of a payment under a scheme may be varied from time to time by a subsequent decision of the Central Government or such authority as the case may be, but save in so far as it is so varied shall be final and conclusive.

4. *Relief from liability to pay compensation or damages.* —(1) In respect of a war injury sustained during the continuance of the present hostilities by any person and in respect of a war service injury sustained during the period by a civil defence volunteer, no such compensation or damages shall be payable, whether to the person, injured or to any other person, as apart from the provisions of this sub-section—

(*a*) would be payable under the Workmen's Compensation Act, 1923 ; or

(*b*) would, whether by virtue of any enactment or by virtue of any contract or at common law, be payable—

(*i*) in the case of a war injury, by any person, or

(*ii*) in the case of a war service injury sustained by a civil defence volunteer, by the employer of the volunteer, or by any person who has responsibility in connection with the volunteer's duties as such or by any other civil defence volunteer,

on the ground that the injury in question was attributable to some negligence, nuisance or breach of duty for which the person by whom the compensation or damages would be payable is responsible.

(2) The failure to give a notice or make a claim or commence proceedings within the time required by any enactment shall not be a bar to the maintenance of proceedings in respect of any personal injury, if—

(*a*) an application for a payment under a scheme has been duly made to the Central Government or other authority empowered to make payments under the scheme in respect of the injury ; and

(*b*) the Court or other authority before which the proceedings are bought is satisfied that the said application was made in the reasonable belief that the injury was such that a payment could be made under the scheme ; and

(*c*) the Central Government or other authority empowered to make payments under the scheme certifies that the application was rejected, or that payments made in pursuance of the application were discontinued, on the ground that the injury was not such an injury ; and

(*d*) the proceedings are commenced within one month from the date of the said certificate.

5. *Information as to earnings.*—(1) Where it is necessary in order to determine the amount of any payment to be awarded under a scheme in respect of any injury, to ascertain the earnings of the person injured in respect of any period before he sustained the injury, the Central

Government or other authority authorised to make payments under the scheme may by notice in writing require—

(*a*) any person who was an employer of the injured person during that period, or

(*b*) any other person having any knowledge with respect to the financial circumstances of the injured person during that period,

to furnish in accordance with the notice any information in his possession relating to those earnings or circumstances, and to produce to any person specified in the notice any wage books, records or other documents in his possession containing entries with respect to those earnings.

(2) If any person—

(*a*) fails to comply with the requirements of any such notice, or

(*b*) in purported compliance with any such notice, knowingly or recklessly makes any untrue statement or untrue representation, or produces any document which is false in a material particular or calculated to deceive,

he shall be punishable with fine which may extend to three hundred rupees.

6. *Penalty for false statement.*—Any person who, for the purpose of obtaining a payment or grant under a scheme either for himself or for any other person, knowingly makes any untrue statement or untrue representation, shall be punishable with imprisonment for a term which may extend to three months.

7. *Assignments or charges to be void.*—Any assignment of, or charge on, and any agreement to assign or charge any payment awarded or to be awarded under a scheme shall be void, and, on the insolvency of any person to whom such a payment has been awarded, the payment shall not pass to any trustee or other person acting on behalf of the creditors.

SIMLA ; LINLITHGOW,
The 25th July, 1941. *Viceroy and Governor General.*

INDIAN FINANCE ACT, 1941.

ACT NO. VII OF 1941.

[PASSED BY THE INDIAN LEGISLATURE.]

(Received the assent of the Governor-General on the 31st March, 1941.)

An Act to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the rate of the excise duty on matches leviable under the Matches (Excise Duty) Act, 1934, to vary the rate of the excise duty on mechanical lighters leviable under the Mechanical Lighters (Excise Duty) Act, 1934, to vary the rate of the duty on artificial silk yarn and thread leviable under the Indian Tariff Act, 1934, to fix maximum rates of postage under the Indian Post Office Act, 1898, to fix rates of income-tax and super-tax and to continue the charge and levy of excess profits tax and fix the rate at which excess profits tax shall be charged.

Whereas it is expedient to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the rate of the excise duty on matches leviable under the Matches (Excise Duty) Act, 1934, to vary the rate of the excise duty on mechanical lighters leviable under the Mechanical Lighters (Excise Duty) Act, 1934, to vary the rate of the duty on artificial silk yarn and thread leviable under the Indian Tariff Act, 1934, to fix maximum rates of postage under the Indian Post Office Act, 1898, to fix rates of income-tax and super-tax and to continue the charge and levy of excess profits tax and fix the rate at which excess profits tax shall be charged ;

It is hereby enacted as follows :—

1. *Short title and extent.*—(1) This Act may be called the Indian Finance Act, 1941.

(2) It extends to the whole of British India.

2. *Fixation of Salt Duty.*—The provisions of section 7 of the Indian Salt Act, 1882, shall, in so far as they enable the Central Government to impose by rule made under that section a duty on salt manufactured in, or imported into, any part of British India, be construed as if, for the year

beginning on the 1st day of April, 1941, they imposed such duty at the rate of one rupee and four annas per maund of eighty-two and two-sevenths pounds avoirdupois of salt manufactured in, or imported by land into, any such part, and such duty shall, for all the purposes of the said Act, be deemed to have been imposed by rule made under that section.

*3. *Excise Duty on Matches.*—For section 4 of the Matches (Excise Duty) Act, 1934, the following section shall be substituted, namely :—

" 4. The duty payable under section 3 shall be levied at the following rates, namely :—

(*a*) on matches in boxes or booklets containing on an average not more than eighty—

(*i*) if the average number is forty or less, at the rate of two rupees per gross of boxes or booklets,

(*ii*) if the average number is more than forty, but not more than sixty, at the rate of three rupees per gross of boxes or booklets, and

(*iii*) if the average number is more than sixty, at the rate of four rupees per gross of boxes or booklets ;

(*b*) on all other matches, at such rate as the Central Government may prescribe."

*4. *Excise Duty on Mechanical Lighters.*—In section 3 of the Mechanical Lighters (Excise Duty) Act, 1934, for the words " one rupee and eight annas " the words " three rupees " shall be substituted.

*5. *Import Duty on Artificial Silk Yarn and Thread.*—In the First Schedule to the Indian Tariff Act, 1934, in Item No. 47 (2), for the entry " 25 per cent. *ad valorem* or

* This section came into effect on the 1st March, 1941, by virtue of a declaration inserted in the Bill under the Provisional Collection of Taxes Act, 1931 (XVI of 1931).

3 annas per lb., whichever is higher " in the fourth column the following entry shall be substituted, namely :—

" 25 per cent. *ad valorem* or 5 annas per lb., whichever is higher."

6. *Inland Postage rates.*—For the year beginning on the 1st day of April, 1941, the Schedule contained in the Schedule to this Act shall be inserted in the Indian Post Office Act, 1898, as the First Schedule to that Act.

7. *Income-tax and Super-tax.*—(1) Subject to the provisions of sub-sections (2) and (3)—

(*a*) income-tax for the year beginning on the 1st day of April, 1941, shall be charged at the rates specified in Part I of Schedule II to the Indian Finance Act, 1939, increased in each case by a surcharge for the purposes of the Central Government amounting to one-third of each such rate ;

(*b*) rates of super-tax for the year beginning on the 1st day of April, 1941, shall, for the purposes of section 55 of the Indian Income-tax Act, 1922, be the rates specified in Part II of Schedule II to the Indian Finance Act, 1939, increased —

(*i*) in the case of the rate applicable to a company, by a surcharge amounting to one-third of that rate, and

(*ii*) in the case of every other rate, by a surcharge for the purposes of the Central Government amounting to one-third of each such rate :

Provided that in the case of an association of persons being a co-operative society, other than the Sanikatta Saltowners' Society in the Bombay Presidency, for the time being registered under the Co-operative Societies Act, 1912, or under an Act of the Provincial Legislature governing the registration of Co-operative Societies, the rates of super-tax for the year beginning on the 1st day of April, 1941, shall be the rates of super-tax specified in the proviso

to clause (*b*) of sub-section (1) of section 7 of the Indian Finance Act, 1940, increased in each case by a surcharge for the purposes of the Central Government amounting to one-third of each such rate.

(2) In making any assessment for the year ending on the 31st day of March, 1942—

(*a*) where the total income of an assessee, not being a company, includes any income chargeable under the head "Salaries" or under the head "Interest on Securities" or any income from dividends in respect of which he is deemed under section 49B of the Indian Income-tax Act, 1922, to have paid income-tax imposed in British India, the income-tax payable by the assessee on that part of his total income which consists of such inclusions shall be an amount bearing to the total amount of income-tax payable according to the rates applicable under the operation of the Indian Finance, Act, 1940, read with sub-section (1) of section 3 of the Indian Finance (No. 2) Act, 1940, on his total income the same proportion as the amount of such inclusions bears to his total income ;

(*b*) where the total income of an assessee, not being a company, includes any income chargeable under the head "Salaries" on which super-tax has been or might have been deducted under the provisions of sub-section (2) of section 18 of the Indian Income-tax Act, 1922, the super-tax payable by the assessee on that portion of his total income which consists of such inclusions shall be an amount bearing to the total amount of super-tax payable according to the rates applicable under the operation of the Indian Finance Act, 1940, read with sub-section (1) of section 3 of the Indian Finance (No. 2) Act, 1940, on his total income the same proportion as the amount of such inclusions bears to his total income.

(3) In cases to which section 17 of the Indian Income-tax Act, 1922, applies, the tax chargeable shall be determined as provided in that section but with reference to the rates imposed by sub-section (1) of this section, and in accordance with the provisions of sub-section (2) of this section where applicable.

(4) For the purposes of this section and of the rates of tax imposed thereby, the expression "total income" means total income as determined for the purposes of income-tax or super-tax, as the case may be, in accordance with the provisions of the Indian Income-tax Act, 1922.

8. *Continuance of and rate of Excess Profits Tax.*—(1) In sub-clause (*a*) of clause (6) of section 2 of the Excess Profit Tax Act, 1940, for the words and figures "31st day of March, 1941," the words and figures "31st day of March, 1942," shall be substituted.

(2) The excess profits tax imposed by section 4 of the Excess Profits Tax Act, 1940, shall, in respect of any chargeable accounting period beginning after the 31st day of March, 1941, be an amount equal to sixty-six and two-thirds per cent. of the amount by which the profits of the business during that chargeable accounting period exceed the standard profits.

THE SCHEDULE.

Schedule to be inserted in the Indian Post Office Act, 1898.

[*See* section 6.]

"THE FIRST SCHEDULE.

INLAND POSTAGE RATES.

(*See* section 7.)

Letters.	
For a weight not exceeding one tola	One and a quarter annas.
For every tola, or fraction thereof, exceeding one tola	Half an anna.
Postcards.	
Single	Nine pies.
Reply	One and a half annas.

Book, Pattern and Sample Packets.	
For the first five tolas or fraction thereof	Nine pies.
For every additional two and a half tolas, or fraction thereof, in excess of five tolas	Three pies.
Registered Newspapers.	
For a weight not exceeding ten tolas	Quarter of an anna.
For a weight exceeding ten tolas and not exceeding twenty tolas	Half an anna.
For every twenty tolas, or fraction thereof, exceeding twenty tolas	Half an anna.
In the case of more than one copy of the same issue of a registered newspaper being carried in the same packet :—	
For a weight not exceeding ten tolas	Half an anna.
For every additional five tolas, or fraction thereof, in excess of ten tolas	Quarter of an anna.
Provided that such packet shall not be delivered at any addressee's residence but shall be given to a recognised agent at the post office	
Parcels.	
For a weight not exceeding forty tolas	Four annas.
For every forty tolas, or fraction thereof, exceeding forty tolas	Four annas."

THE BUDGET, 1942-43.

Extract from the proceedings of a meeting of the Legislative Assembly, held in New Delhi on Monday, 2nd March, 1942.

Finance Member's Speech

The year which has elapsed since I presented my last budget has been crowded with momentous happenings, as the struggle against armed aggression spread to every continent and developed the full proportions of a world war. The year has witnessed, both for good and for evil, the intensified pressure of the forces resulting directly from the war situation upon the economic structure of the country. The demands now being made upon her comprehend to the fullest possible extent the industrial possibilities of India.

On a broad front—very much broader than some critics are willing to admit—a great advance has been made. I shall, in my speech to-day, only touch on the major features of that advance, for much has already been done to acquaint the people of India with the really striking achievements of Indian industry. The pressure upon the available industrial resources has been aggravated by the demands for Indian textile and other manufactured products from overseas areas which have been cut off from their former sources of supply. Inside India itself, the expansion of the national income due to the war is resulting in an increasing volume of demand which it is at times difficult to satisfy, in face of the inevitable diversion of capital resources and of trained labour towards the sustenance of the war effort.

2. So far as agriculture and raw materials are concerned, the situation can most easily be judged in the light of the course of prices. Over the greater part of the fiscal year, the price-level has been rising sharply and indeed, the wide spread demand for the control of prices is a confirmation of the strain which increased purchasing power in the hands of consumers, on the one hand, and the diversion of resources to the war effort, on the other hand, is imposing upon the economy of India. The full utilisation of the country's productive powers which, incidentally, are becoming increasingly diversified, has its counterpart in growing incomes and increased opportunities for employment. That is the favourable aspect of the war on the economic side. The growing shortages, the necessity for doing without the sacrifices which all classes of the community are now called upon to undergo—these, which are the inevitable consequences of the immense wastages which modern wars involve—are the less welcome aspects of the economic situation. On the whole, however, this country has been fortunate : the balance has so far been greatly to her advantage. I shall have occasion, at a later stage of my speech, to refer more fully to the technical aspects of the latest scheme for the repatriation of debt. But it is a remarkable

fact that the demands now made on the economy of India are of a sufficient order of magnitude to make possible the retirement of virtually the whole of her external debt. The mere fact that this has been possible shows that our overseas trade, in spite of all the obstacles presented by the shortage of shipping, has been amply maintained and indeed, the acceleration of the rearmament programme in America, even before Japan's treacherous attack drew that country into the war, enabled us largely to neutralize the effects of the freezing-orders which we, in common with the rest of the Empire and the United States, adopted as a form of economic pressure in the summer of last year.

3. It is of course obvious to everyone that the deterioration of the immediate position in the Eastern theatre of war must be a cause of anxiety, and that until it is rectified it will inevitably react on the economic situation. Certain of our old and new export markets are the scenes of actual hostilities: communications by sea have become more difficult, and the strain upon transport facilities within India itself, which is already very great, may become still more intensified. A temporary loss of confidence may check enterprise and may, to a certain extent, interfere with the high level of productivity previously attained. Nevertheless it requires no undue optimism to realise that the complete mobilisation of the mighty resources of America and of the British Commonwealth, and the vast manpower of our heroic Chinese allies, must in time avail to hold the Japanese aggressor, and when the tide turns, as inevitably it will, there will be a powerful return of confidence which will again reinforce the tendencies making for a still further expansion of our economic activity.

Financial Year, 1940-41.

4. I will now deal briefly with the results of the financial year 1940-41. In our revised estimates last February we expected to end the year with a deficit of Rs. 8,42 lakhs. The actual deficit turned out to be only Rs. 6,53 lakhs. For though expenditure, mainly on account of Defence,

was Rs. 2,05 lakhs higher than we expected revenue improved by no less than Rs. 3,94 lakhs. More than Rs. 2 crores of this was on account of the larger contribution made by the Railways to general revenues. The only other appreciable increases were in Central Excise Duties and Income-tax receipts. The divisible pool shared with the Provinces rose from Rs. 16,47 lakhs to Rs. 18,08 lakhs and the provincial share from Rs. 3,73 lakhs to Rs. 4,54 lakhs. In consequence of this there is a balance of Rs. 81 lakhs to be paid to the Provinces this March along with the amount due to them for the current year. As the amount provided for the reduction or avoidance of debt was Rs. 3 crores, the net addition to our indebtedness in 1940-41 was only of the order of Rs. 3½ crores.

Financial Year, 1941-42.

5. I now turn to the current year 1941-42. Our revised estimates for revenue for this year show a net improvement of Rs. 16,62 lakhs. But against this our revised expenditure estimates show a net increase of Rs. 20,04 lakhs. The increase in expenditure is almost entirely on account of the Defence Services, the estimated cost of which has expanded from roughly Rs. 84 crores to Rs. 102 crores odd. Thus, while at the time of the budget we put the deficit on the current year at close on Rs. 14 crores we now expect this to increase to Rs. 17,27 lakhs.

Revenue.

6. For the first nine months of the current year our receipts from Customs continued at a satisfactory level, but since the entry of Japan into the war and the consequent dislocation of shipping in the Pacific there has been a marked drop. We still, however, expect that the total receipts for the year will reach our budget figure with about a crore to spare. Central Excise Duties have also come up to expectations, increase collections of sugar excise duty more than making up for the loss on petrol, and our revised estimate is Rs. 20 lakhs above the budget figure.

7. Collections of Income-tax and Corporation tax have continued to increase, so that our total revised estimate shows a further rise of Rs. 3 crores as compared with the budget. The actual receipts of Excess Profits Tax during the current year are put at no more than Rs. 8 crores out of an anticipated Rs. 11 crores. This is largely due to an over-estimate of the extent to which the increase of the rate of tax to 66⅔ per cent. would affect the current year's yield, the assessments actually made being almost wholly in respect of liabilities at the rate of 50 per cent. As I indicated the other day in reply to an Assembly question there has been in recent months a considerable improvement in the progress of assessments and these are now being made at the rate of over Rs. 1 crore of tax a month. The divisible pool of income tax has gone up from Rs. 18,35 lakhs to Rs. 22,17 lakhs. In consequence the Provinces are expected to receive an additional Rs. 2 crores which with the arrears of Rs. 81 lakhs due from last year will bring the amount to be distributed to the Provinces this year up to the record figure of Rs. 7,39 lakhs.

8. As explained in my Budget Speech last year, only Rs. 45 lakhs out of the profits from the issue of our small coin is being taken to revenue and the balance to a Suspense Account. The Indian Mints have, however, carried out a number of coinage orders for other Governments and the fees received for this work and for foreign orders undertaken by the Currency Note Press have gone to swell the revenue shown under Currency and Mint. The main rise under this head is, however, on account of the increase in the surplus profits of the Reserve Bank paid over to Government, which turned out to be Rs. 2,47 lakhs as compared with our estimate of Rs. 1,36 lakhs.

9. The working of the Posts and Telegraphs Department is now expected to result in a surplus of Rs. 1,79 lakhs more than was taken in the budget. With the growth of traffic in all branches, especially Telegraphs and Telephones, gross revenue has increased from Rs. 13,49 lakhs

to Rs. 15,68 lakhs. At the same time the employment of extra staff and the payment of overtime and other allowances has caused expenditure to rise from Rs. 12,09 lakhs to Rs. 12,49 lakhs. Under the arrangement explained in my Budget Speech last year the whole of the surplus will be taken to general revenues without any liability for the payment of interest. As already explained in the speech of the Railway Member, the net contribution to be paid by the Railways this year is no less than Rs. 19,12 lakhs or nearly Rs. 9 crores more than was provided in the budget estimates.

Expenditure.

10. *Defence Services.*—Turning to the expenditure side of the current year, I deal first with the Defence Services. In my last Budget Speech I described in some detail the progress that had been made with the schemes for the modernisation and expansion of these Services. The objects are first to put India in possession of up-to-date naval, air and military forces, capable of undertaking the local defence of her own frontiers, and, secondly, to enable her to supply and maintain forces for employment overseas in what have been described as the outer bastions of India's defence. Schemes of this nature must of course be revised from time to time as the threats to particular aspects of India's security approach or recede with the developments in the war situation as a whole. Towards the close of 1940-41 the deterioration in the position in the Middle East, the overrunning of the Balkans, and the emergence of sinister pro-Axis manifestations in Iraq, all pointed to the necessity for a further strengthening of our defences against attack from the West.

The prompt and effective action taken in Iraq and Syria eased the threat to India from this quarter for a brief space but Germany's sudden onslaught on Russia and determined drive towards the Caucasus revived it in an acute form. The recent successes of the Russians in the Ukraine and the reverses inflicted on the enemy in Libya

lessened, for the time being at least, the danger from this quarter, but it would clearly be folly even now to ignore its existence and grave potentialities. Meanwhile, an even more serious menace from the Far East had been gradually looming up, culminating last December in war with Japan. Although this possibility had not been overlooked, the unfavourable course that this conflict has so far pursued and its rapid approach to within a relatively short distance of India's frontiers has created additional problems of the greatest urgency, which call for immediate action.

11. The defence schemes to which I referred last year were drawn up for the most part early in 1940 and in view of the increases since then in the magnitude and imminence of the threats to India's security, these schemes have undergone considerable modification and their cost has greatly increased. Before examining the financial implications of these changes I propose as last year to give the House some account of the expansions carried out and others at which we are aiming. For obvious reasons it is not possible to divulge in full the scope of our plans but what I have to say will, I hope, give some idea of the steadily growing magnitude of India's war effort.

12. In spite of the enormous requirements of a modern army and the far higher and more varied degree of training required of all ranks than was necessary 25 years ago, our armies are now more than twice as large as they were at the corresponding stage of the war of 1914-18. We now have in all over a million men under arms, twice as many as when I last addressed you. Our recruiting activities have led to a remarkable increase in the intake of recruits other than officers which has risen during the last 12 months from an average roughly of 20,000 per month to 50,000 per month. The arrangements for housing, feeding, clothing and transporting these large numbers of men have presented administrative problems of unprecedented magnitude. The recruitment of officers in India has not on the whole been as

satisfactory as we could have wished. One reason put forward for the inadequacy of the response in this field has been that the terms offered to Indian Commissioned officers are not sufficiently attractive. Improved rates of pay have recently been sanctioned for this class of officers. The institution of a Pre-Cadet Training College to supply certain deficiencies in training and education for young men who would otherwise make good officers may also be expected to improve the intake of officers required for our new armies.

13. All our old cavalry regiments have been mechanised and additional units of the new type are steadily being raised. Heavy and light armoured formations have been raised and others are forming. Concentrated efforts continue to be made to train intensively the thousands of officers required to instruct and lead our new units, and courses of instruction are modified whenever necessary so as to embody the lessons learned in actual operations against the enemy. Last year I laid stress upon the extreme importance of adequate training and the fact that, next to the provision of arms and equipment, the pace of our expansion was conditioned by the quality of our training. During the last 12 months the various schools and other training institutions of the Defence Services have been greatly increased. Thus the Staff College has increased its output by 100 per cent. since March 1941. The Fighting Vehicles School and the Artillery School have also doubled in size since that date. The Tactical School, Small Arms School and Army Signals School have all been greatly expanded. Many new training institutions have also come into being. An Air Landing School, for the training of parachute troops is now in full operation. A special centre for instruction in anti-aircraft and coast defence artillery has also been created. In addition to the Officers' Training Schools, where several thousand cadets and newly commissioned officers are learning the rudiments of their profession, a Higher War School has been established at the other end of the scale for the instruction of senior officers.

14. The position in regard to equipment has for one reason and another, never ceased to give rise to anxiety and it is only by dint of resourceful planning that we have been enabled to push on so fast with our expansion. I mentioned last year the arrangement whereby His Majesty's Government guaranteed to give us a substantial fixed percentage of the output of the United Kingdom in articles which we cannot make for ourselves. Although this proportion has recently been doubled and our anxieties on the score of equipment lessened they will not disappear for some time yet. The establishment of new factories and the expansion of existing factories in India for the production of ammunition, lethal weapons, explosives, and other articles required for war purposes, as a result of the Roger Mission schemes, will further ease the position in this respect as the new and expanded factories come into production.

15. The programme of expansion for the Royal Indian Navy which I indicated last year, is now materialising rapidly. The strength of officers and ratings has been approximately doubled. Two new sloops of the latest type, fast and well armed, are fully commissioned and have already seen service. Others are under construction in the United Kingdom. A large programme of building in connection with our Local Naval Defence requirements has been undertaken in India and some vessels have already been completed and commissioned. New and enlarged accommodation for the Gunnery School and Mechanical Training Establishment, has been provided during the past year.

The opening of a Junior Boys Training School with effect from the 1st February 1942 calls for special mention. This School is designed as a feeder to the Boys Training Establishment at Manora on which the R. I. N. largely relies for recruits to the ranks of seamen, engine room and other ratings. The new school is intended to give promising boys of about 15 years of age who would not otherwise

acquire the educational qualifications prescribed for admission to the Boys Training Establishment, the general education needed to bring them up to the requisite standard. Both as a permanent addition to India's educational facilities and as a source of recruitment to the R. I. N. the scheme is likely to prove of great benefit to India in years to come.

The work in H. M.'s Indian Dockyard or in private firms under R. I. N. supervision on His Majesty's ships and on repairs, armament and protection of both British and Indian merchant ships, has steadily increased during the year. Additional dry docking facilities have also been provided by extending and reconditioning existing docks.

16. The development of the Air Forces has proceeded as fast as the provision of equipment and skilled technical personnel permitted and much progress has been made during the year. Modern aircraft are now arriving in India and a substantial quantity of modern training equipment has been received. The rapid and continuous increase in the complexity and requirements of modern aircraft, the introduction of new types of squadrons, and the increases in the establishments of both personnel and machines for the various types, add greatly to the difficulties of organising our air defences. For the operation of the new makes of machines landing grounds have to be constructed to much higher standards than those accepted as suitable two years ago, while accommodation both for personnel and machines and other operational facilities incidental to modern air defence are necessary on a far larger scale than was then envisaged. All these factors, I need hardly point out, add substantially to the cost of building up India's air defences. The formation and expansion of training institutions has gone ahead rapidly and there has been a recent increase in the civil repair and maintenance organisation. Under the scheme for the creation of a reserve of Indian Air Force officers to which I alluded last year approximately 300 officers have been produced by the civil organisation and passed on to service training institutions, whence they

should eventually be absorbed into active formations. The fullest use possible is being made of civil resources and the scheme inaugurated by the Director of Civil Aviation for pre-entry basic training for Indian Air Force mechanics is in full working order. Finally, the scheme for the assembly and manufacture of aeroplanes in India has made good progress. It is confidentally hoped that the factory will complete its programme of fighter and bomber construction before the end of the present calendar year although considerable difficulties have been encountered in securing the release from America of the necessary materials, particularly since America entered the war. It has not yet been possible to secure from America all the materials needed for the programme of trainer aircraft and this may be delayed in consequence. In addition the factory is doing valuable work in carrying out major repairs to aeroplanes of many types.

17. To understand the effect of these further developments in India's activities on our defence estimates it must be borne in mind that under the Financial Settlement with His Majesty's Government only such portion of the expansion of India's Defence Services as is related to India's local defence requirements is chargeable to Indian revenues. Thus, as I explained last year, India bears the cost of raising and training, and (to some extent) of equipping any additional forces raised and retained in this country in pursuance of her expansion schemes, while the whole cost, initial and recurring, of such additional forces as are sent overseas is recoverable from His Majesty's Government.

The amplification of these schemes and the putting into force of many other measures designed to improve India's coastal, air, and land defences, involve a large increase in India's share of the war bill. The basic factor underlying this increase is the great rise in the numbers of service personnel actually in India, either on the effective strength of units or undergoing training. Apart from the pay and allowances of these men, in itself a substantial item, the cost of feeding, accommodating, clothing and equipping them,

constitutes a very heavy additional burden on Indian revenues. Another contributory factor is the enormous rise in the cost of providing ground and other operational facilities for the modernised squadrons required for India's local defence, to which I have already referred. Our total war commitments, estimated last year at Rs. 52 crores initial outlay and Rs. 19 crores annually recurring, have now on a rough computation risen to something, like Rs. 100 crores initial and Rs. 40 crores recurring. During the current year the Indian portion of the initial and recurring costs arising out of these enlarged commitments will amount to roughly 54 crores, *i.e.*, Rs. 18½ crores in excess of the amount provided for Indian war measures in the budget.

18. The details of the revised estimate of defence expenditure for 1941-42 amounting to Rs. 1,02,45 lakhs are as follows :—

		Lakhs of rupees.
(1)	Basic normal budget	36,77
(2)	Effect of rise in prices on (1)	4,24
(3)	India's war measures	53,03
(4)	Non-effective charges	8,41
		1,02,45

The increase of 69 lakhs in item (2) over the corresponding budget figure is due to the rapid rise in the general level of prices of indigenous stores. The increase of 17,63 lakhs in item (3) is made up of the increase of Rs. 18½ crores just mentioned less Rs. 85 lakhs on account of India's share of contributions for defence purposes received from the Viceroy's War Purposes Fund. The estimate of non-effective charges remains unchanged pending conclusion of a settlement with His Majesty's Government regarding the allocation of such charges arising out of the war. The terms of this settlement are still under discussion.

It may be of interest to the House to know that the gross expenditure on defence services and supplies expected to be brought to account in India's books for the year 1941-42 amounts in all to Rs. 300 crores of which after India's share as shown above has been deducted the balance of nearly Rs. 200 crores is borne by His Majesty's Government. This latter figure does not include the value of equipment supplied and other services rendered by His Majesty's Government without charge.

Civil Estimates.

19. Civil expenditure in the current year has increased by Rs. 1,72 lakhs. This is mainly due to the expansion of schemes and activities undertaken in connection with the war. The Department of Supply has made steady progress since I last gave the House an account of its activities. No substantial change has been made in its organisation, but for the duration of the war the Indian Stores Department, the Contracts Directorate, and the temporary officers employed on Purchase duties have been merged into a single Purchase Branch with the object of making the most economical use of the staff available. The Textiles Directorate has now been divided into two Directorates one of which has been located at Bombay, to deal exclusively with Cotton Textiles. In the Directorate General of Supply, there has been continuous development. Close relations have been established with the Indian Cotton Textiles Industry, and by co-operation between the Department and a Panel representing the Industry bulk purchases have been arranged on a very large scale. Something like 700 million yards of cotton textiles will be purchased during the year 1942-43. The Clothing Factories, multiplied ten-fold since the outbreak of war, are turning out more than 8 million garments a month. A new Parachute Factory has been set up, and the first Indian-made Statichutes have passed their trials satisfactorily. The production of web equipment is being rapidly stepped up, and the output of leather goods has increased thirty-fold. Enormous quantities of timber

are being extracted from the Indian forests, and a considerable sawing industry has been established which provides employment for a large number of people. Many new chemicals have been produced for the first time in India, and Indian sulphur will shortly be on the market.

20. The Directorate General of Munitions Production has launched satisfactorily a large number of new projects. In my last Budget Speech I referred to the possibilities of expanding India's output of war supplies on lines suggested by the Roger Mission whose recommendations were then under consideration. His Majesty's Government have since completed their examination of recommendations and as a result have approved 20 new projects involving in all a capital outlay estimated at roughly Rs. 12 crores, and these are now in various stages of execution. These projects involve the establishment of new factories and the expansion of old ones for the production in India of weapons, ammunition, steel, and other stores in urgent demand for war purposes, and should before long add materially to India's capacity for the production of munitions besides making her self-supporting in respect of certain items for the supply of which she had hitherto to rely on imports. The whole of the capital outlay on the erection and establishment of these factories is being borne by His Majesty's Government, but India will of course pay for such of the articles produced by the new factories as are utilised for purposes of India's local defence.

21. The load on trade and railway workshops has also been substantially increased. Apart from fabricated engineering stores, the tonnage of which is very considerable, the output includes a large range of military requirements from armoured fighting vehicles and small auxiliary naval craft down to camp kettles. Steam-driven marine engines are in production, and India has made her first electric transformers. These results have been achieved by the ready co-operation of industrial concerns throughout India and of the Railway Administrations. Some idea of the

magnitude of the Department's activities is given by the fact that from the beginning of the war to the end of December 1941 the orders placed through the Department are valued at approximately Rs. 230 crores, not including the value of the manufactured goods produced in the Ordnance Factories. The additional expenditure on account of these expanded activities is expected to amount to Rs. 64 lakhs in the current year.

22. The decision of the U. S. A. early in 1941-42 to make available to the democratic powers the great resources of that country in equipment and stores of all kinds required for war purposes, on Lease-Lend terms, constituted one of the most significant and heartening developments of the war. In order to ensure that India participated to the fullest possible extent in these Lease-Lend facilities an Indian Purchasing Mission was created in the U. S. A. under the chairmanship of Sir Shanmukham Chetty, and it is due in large measure to his able exposition of India's case for Lease-Lend assistance that India has now been admitted to the benefits of Lease-Lend facilities on the same terms as the United Kingdom itself and other members of the British Commonwealth of Nations. The indents placed for supplies on Lease-Lend terms up to the end of January 1942 amounted in value to roughly Rs. 47 crores. How far, if at all, America's entry into the war may have the effect of postponing deliveries against these indents or of diverting them to other sources of supply, it is impossible to say, but assuming that no such retardation or diversion occurred, a very rough computation indicates that goods valued at Rs. 11 crores against these indents may arrive in India during 1941-42. The corresponding amount for 1942-43 is Rs. 34 crores. The bulk of the items included in these indents comprise stores required either for direct supply to the Defence Services in India or for supply in connection with contracts for the production of war-like stores. A relatively negligible portion of the demands relate to civil requirements, i.e., for A. R. P. stores, etc. In so far as stores received on Lease-Lend terms are utilised for the equipment

of troops sent overseas or for other needs which are paid for by His Majesty's Government under the Financial Settlement the benefits and obligations conferred by Lease-Lend will of course be passed on to that Government. The value of such of the stores as are utilised for Indian purposes, whether by the Defence Services, Civil Departments of the Central Government, or Provincial Governments, will be debited to the budgets concerned and corresponding credits will for the time being be taken to a Suspense Head of Account. We have not yet been informed of the precise nature of the obligation that these Lease-Lend facilities will impose on the Governments making use of them and it is therefore considered prudent for the time being to budget and account for these stores in the same way as though they had been obtained by cash purchase until the precise manner in which the Lease-Lend liability will ultimately be liquidated becomes known. As I have already said, the great bulk of the amounts mentioned above relate to stores supplied for the Defence Services in India but the precise division of these amounts between His Majesty's Government and the Government of India cannot at this stage be determined.

23. There has also been an inevitable expansion in other spheres of Government administration to deal with special wartime problems. A Chief Controller of Imports has been appointed to regulate the Import Trade Control scheme : we have had to set up the Wheat Commissioner and the Controller of Coal Distribution and their staffs. An organisation has had to be created to administer the Petrol Rationing scheme and a Secretariat staff has been recruited for the (Post War) Reconstruction Committee. The estimates also include Rs. 1,41 lakhs which have to be provided for setting aside additional War Risks insurance premia on goods. These amounts are included in our revenue receipts and corresponding payments have to be made into the Fund created for this purpose. The amount to be paid this year in connection with A. R. P. mainly in grants to the Provinces, is estimated at Rs. 1,07 lakhs.

Equipment of the new Mint which is now being constructed at Calcutta to enable us to meet the rising wartime demands for coin both for ourselves and from Allied Governments is costing Rs. 26 lakhs. A further Rs. 6 lakhs is on account of the larger output of coin from our existing mints, the profits from which go to increase our revenue. The net increase in the Civil estimates would have reached a larger figure but for a welcome reduction of Rs. 3,09 lakhs in our interest charges. This is mainly due to the saving in interest on the counterparts of our sterling loans for the period they were held in our Cash Balance Investment Account before they were sold, converted or cancelled. There are also certain special savings on the repatriation operations carried out last February. These will be counterbalanced in future years by the larger interest payable on the rupee loans raised to replace our cancelled sterling debt but in the current year there is an immediate reduction in our interest payments.

FINANCIAL YEAR, 1942-43.

Revenue.

24. I now come to the financial year 1942-43. Our total revenue estimates amount to Rs. 1,40,00 lakhs as compared with Rs. 1,29,62 lakhs in the revised estimates of this year. Against our current year's estimate of the yield from Customs duties of Rs. 36 crores, we have taken for 1942-43 Rs. 30 crores. This figure includes the estimated yield of Rs. 2 crores from the special additional import duty on raw cotton, which was recently imposed in order to finance the measures to be taken to relieve the short-staple cotton situation. The full effect on our foreign trade of the war in the Pacific has yet to be seen and on the information at present available we must prepare for a considerable drop in imports which may turn out to be even more serious than we have allowed for. Against this the yield from Corporation Tax and Income-tax together with the Central surcharge is expected to increase by over Rs. 3 crores, and the collections of Excess Profits Tax have been put at Rs. 20 crores as compared with Rs. 8 crores in

the current year. On this basis the divisible pool of Income-tax will increase to Rs. 25,75 lakhs and on the assumption that the sum to be retained by the Centre from the Provincial moiety will be maintained at Rs. 4½ crores, the share of the Provinces next year is expected to reach the figure of Rs. 8,37 lakhs. I may observe that this is considerably more than the total sum which at the time of the Niemeyer Award the Provinces were expected to receive at the end of the ten-year devolution period or than ever appeared to be possible before the outbreak of war.

For next year the revenue of the Posts and Telegraphs Department is expected to be Rs. 15,77 lakhs and expenditure Rs. 12,54 lakhs. Telegraph and telephone traffic, the revenue from which has doubled in the last four years, is now being carried almost to capacity and the bulk of the Rs. 1,11 lakhs provided for capital works in 1942-43 is to be spent on increasing the capacity of the existing telephone and trunk systems and on opening new lines and exchanges.

Expenditure.

25. *Defence Services.*—The Defence Budget for 1942-43 amounts to Rs. 1,33,00 lakhs made up as follows :—

		Lakhs of rupees.
(1)	Basic normal budget	36,77
(2)	Effect of rise in prices on (1)	6,52
(3)	India's war measures	81,30
(4)	Non-effective charges	8,41
		1,33,00

The increase over the revised estimates in item (2) is based on the anticipated further rises in the general level of prices during 1942-43. The heavy increase against item (3) is due to the growth of our expansion and other war measures in the circumstances already explained. Of the total amounts shown, roughly Rs. 47 crores represent

initial expenditure and Rs. 36 crores annual recurring expenditure. An allowance has also been made for an aggregate credit amounting to Rs. 1½ crores for the year from the Viceroy's War Purposes Fund. Here again, I would draw attention to the fact that the estimated amount of India's Defence expenditure is only a fraction (approximately one-fourth) of the gross Defence expenditure likely to be brought to account in India's books during 1942-43. In other words, the amount of expenditure on defence services and supplies that we expect to recover from His Majesty's Government during that year under the operation of the Financial Settlement exceeds the enormous total of Rs. 400 crores.

By far the greater part of this amount as also of the corresponding amount of Rs. 200 crores for the current year represents expenditure connected with the provision or maintenance of forces engaged in operations overseas that vitally concern India's security against external aggression. More than one half of the total amount relates to the acquisition and storage in India of stores of all kinds intended for the initial equipment or maintenance of such forces. A relatively small portion of these amounts consists of expenditure unconnected with the defence of India, such as, the value of equipment and stores supplied direct to the United Kingdom and expenditure on prisoners of war held in this country.

In addition His Majesty's Government have undertaken the supply to India without charge of large quantities of aeroplanes, vehicles, guns, and other equipment required in connexion with the expansion of India's Navy, Air Force and Army. The total value of such free supplies already made or expected to be received by the end of 1942-43 is roughly Rs. 60 crores.

Civil Estimates.

26. Our civil expenditure estimates show increases amounting to Rs. 9,63 lakhs in all as compared with the current year's revised estimates. Though this is a large

amount, particularly at a time when ordinary expenditure has to be restricted to the minimum, I will not take up the time of the House by going over the details which are furnished in full in the Explanatory Memorandum on the Budget. I will merely mention the chief components in order to indicate to what extent this extra expenditure is directly related to essential measures connected with the war. There is first of all the expenditure on Civil Defence for which Rs. 4 crores have to be provided. Under the new scheme of financial allocation of the cost of A. R. P. measures, which was drawn up after a conference between the Centre and the Provinces, each Provincial Government is in each financial year to bear the whole of its expenditure up to a specified amount which is to be fixed in a certain broad relation to the provincial revenue receipts. The amount over and above this initial slab of expenditure will be divided into further slabs, of which the first is to be shared 50/50 by the Central and the Provincial Governments, the next 75/25 and anything beyond that 87½/12½. This new allocation will not disturb the previous arrangement whereby the Central Government bear the whole of the non-recurring expenditure sanctioned by them prior to the 1st July 1941, and the recurring expenditure sanctioned by them and incurred before that date. The scheme is designed to ensure that necessary A. R. P. measures are undertaken without delay and that the financial help given by the Centre should be determined in the light of the magnitude of the A. R. P. expenditure to be incurred by each Provincial Government and the capacity of the revenues of the Province. It also takes into account the additional resources which the Provinces are deriving from the larger distribution of income-tax. The amount of A. R. P. expenditure to be shared next year will of course depend to a great extent on future developments, so that our present estimate of the amounts to be paid out by the Centre can only be regarded as tentative.

27. The original Technical Training Scheme by which 15,000 men were to be trained for the technical branches

of the Defence Services and Ordnance and Munitions factories has since been expanded to provide for the training of 48,000 men by the end of 1942-43. This is to cost Rs. 2 crores. A further expansion costing about Rs. 20 lakhs is also being undertaken to meet the needs of civil industry. Of these amounts Rs. 1,32 lakhs are expected to be spent next year.

28. There is a special provision of Rs. 26 lakhs for expediting the Civil Aviation programme in addition to the annual subvention of Rs. 35 lakhs, Rs. 17 lakhs are required to complete the programme of the Karachi, Peshawar and Delhi Broadcasting Houses and the construction of the new high power transmitter for foreign broadcasts. The continued expansion of the Supply Department's activities is expected to require a further Rs. 48 lakhs over and above the amount provided this year. Then there are the sums to be transferred to special funds, such as War Risks Insurance premia, the proceeds from the enhanced import duty on raw cotton and the cess on exports of agricultural produce which amount to Rs. 3,24 lakhs, Rs. 2,00 lakhs and Rs. 18 lakhs respectively. These have to be provided in our expenditure estimates though in effect they are set off by corresponding receipts on the revenue side. A further large item is the increase of Rs. 1,75 lakhs in our Interest charges. This is due to the fact that the immediate savings which resulted from our Sterling Debt Repatriation operations will not recur next year and though there will be a large reduction in interest payable in England from the repayment of the 2½ per cent. and 3 per cent. non-terminable sterling loans, this will be offset by the additional interest to be paid in India on the Defence Loans and Treasury Bills raised to finance this repayment. Next year's provision for Interest will still, however, show a saving of Rs. 1,34 lakhs as compared with the budget for 1941-42.

29. I can now summarise the position for the coming year. The expenditure detailed in the Civil estimates comes to Rs. 54,07 lakhs and the provision for the Defence Services

has been placed at Rs. 1,33,00 lakhs. Our total expenditure estimates thus amount to Rs. 1,87,07 lakhs. The total revenue, at the existing levels of taxation, is estimated at Rs. 1,40,00. We are thus left with a prospective deficit of Rs. 47,07 lakhs.

WAYS AND MEANS.

30. At this stage I will as is usual give an account of our ways and means position, which naturally assumes a much greater importance in the scheme of wartime finance.

Defence Loans.—Since the Defence Loans were first issued in June 1940 they have produced a total of Rs. 1,10,30 lakhs up to the end of January 1942. The greater part of the amount subscribed this year has been in the form of investments in the 3 per cent. Second Defence Loan, 1949-52, which was on tap from the 1st February 1941 and has only just been closed. The continued response to the Interest-free Defence Bonds has been most welcome. The sales of Defence Savings Certificates and Stamps have also brought in a steady if modest flow of subscriptions, the total of which now amounts to about Rs. 4,67 lakhs.

31. The aggregate of these sums is no doubt a respectable figure in relation to the normal scale of public borrowing in India. But in the circumstances of the present time it is manifest that a continuously increasing rate of saving is essential not only to finance our expanding war activities but to keep the economy of the country in a sound and healthy condition. Our own Defence expenditure has reached a scale of Rs. 40 lakhs a day and is continuing to grow. But there is a much larger expenditure on account of supplies and services to His Majesty's Government and other allied governments. For these we receive payment in sterling but have to disburse the equivalent amount in rupees within the country to those who have provided the goods and services. This creates a large increase in the purchasing power available in the hands of people in the country. The whole of that purchasing power cannot possibly be utilised in a satisfactory and wholesome manner

at the present time when so much of the productive power of the country must be directed to the war effort and when the purchase of desirable imports is necessarily subject to the most severe restrictions. In these circumstances it is of paramount importance that claims for consumers' goods should, as far as possible, be postponed ; in other words, that the individual should refrain from intensive competition for goods of limited supply and should save his money for expenditure at a more suitable time. In this way he will not only provide a reserve for himself against more difficult times to come but he will assist in the prevention of those sudden rises in the price level which are a source of great hardship to so large a part of the community. These are familiar facts in any wartime economy, but they need to be brought home to those large numbers in India to-day who find themselves in possession of an enhanced spending power. The object of the National Savings campaign is to try and persuade people to follow this course in their own interest and that of the country. A conference of representatives from Provinces and Indian States was held last month to survey the progress made with this movement and to consider the further measures necessary to advance it. I can only repeat that nothing is more important than that people with surplus purchasing power in their hands should be taught at the present moment to save wherever possible rather than spend. I shall have more to say on this subject towards the end of my speech.

During the current year the outstanding balance of the 3 per cent. Bonds, 1941, amounting to Rs. 10¼ crores was repaid, Rs. 8¼ crores by conversion and the remainder in cash. Apart from the undated sterling loans, to which I shall refer later, the only loan we have the option of repaying next year is the 5 per cent. Loan, 1942-47, but of this the balance still outstanding is only Rs. 65 lakhs.

32. *Sterling Position.*—With the increased war demand for supplies from India, sterling has continued to accumulate in the Reserve Bank at a rate greatly in excess of the

previous years' figures and our anticipations. Purchases by the Bank during the first ten months of the current year amounted to approximately £57 million. At the time of the budget we estimated a net refund by the Secretary of State of £26 million. Since then, however, the volume of recoverable war expenditure and purchases on behalf of His Majesty's Government and Allied Governments has increased continuously, and the net refunds for the year are now expected to aggregate £53 million after providing for the repayment of the 2½ per cent. and 3 per cent. undated sterling loans next month. For next year the net refunds by the Secretary of State are estimated at £164 million after allowing for the repayment of the remaining undated sterling loans and for the payment of £13 million for the purchase of the Bengal and North Western Railway and the Rohilkhand and Kumaon Railway.

33. *Repatriation of Sterling Debt.*—In my Budget Speech last year, I dealt at some length with our scheme for the repatriation of India's sterling debt and its financial implications. During the course of the current year, thanks to the co-operation of the Bank of England and the Reserve Bank, not only were we able to carry out this important and complex transaction smoothly, but we have also been able to adopt, with the assistance of His Majesty's Government, a similar scheme for the repatriation of the remaining non-terminable portion of our sterling debt. The total terminable stock acquired under the first scheme amounted to Rs. 97 crores leaving only some Rs. 15 crores outstanding as being outside the scope of the British and Indian Vesting Orders. The sterling paid out to those holders who were entitled to payment in sterling was £66.3 million, while of Rs. 14,56 lakhs dealt with under the Indian Order Rs. 13,30 lakhs were acquired in exchange for counterparts, the small remainder being paid for in cash. Including the market purchases that preceded the first compulsory acquisitions, the total sterling debt was reduced by £101 million and the annual interest payments in sterling by over £4 million. The continued accumulation of sterling with

the Reserve Bank made it possible for us to enlist once more the assistance of His Majesty's Government and to announce towards the end of December last the second compulsory scheme of repatriation, and at the same time to give notice of redemption of the 3½ per cent. undated stock on the 5th January 1943. The probable requirements of sterling for the 2½ per cent. and 3 per cent. stock are £70 million, and this the Reserve Bank will be able to find for us with the greatest ease. Another £70 million will be required during the course of next year for payments in connection with the 3½ per cent. stock and this amount will also be available without any strain on the Reserve Bank's sterling resources.

34. There has been criticism in some quarters that the open market purchases made from time to time before the first compulsory repatriation pushed up the prices against us and therefore made the scheme unduly expensive. This criticism is not valid because the bulk of our purchases were made during March to October 1940 when security prices had slumped as a result of the international situation, and the prices paid were close to the minima fixed by the London Stock Exchange. Moreover, we had stopped making purchases for a couple of months before the date of the Vesting Orders. We did not resume them for the undated stock until we could pick up stock at reasonable prices again after the second week of December last. There is no evidence that our purchases were a factor of any recognisable significance in the fluctuations of the market prices from time to time, which were more or less parallel in the United Kingdom and in India.

35. Last year I gave the House a tentative outline of our plan of rupee finance for the first measure of repatriation. As I then explained, there are two stages: first, to acquire the sterling from the Reserve Bank and, secondly, to obtain rupees to pay for that sterling. Owing to the large sterling resources of the Reserve Bank the first operation presented no difficulty, and, as regards the second, I explained that it would obviously be impossible to attempt

to borrow this immediately from the market, particularly in view of our defence borrowing requirements, and that in fact there was no need to hurry this process unduly. The procedure should be designed so as to avoid any immediate shock to the rupee security market and to fund these obligations gradually as the market was able to absorb them. To the extent to which these terminable loans were held by Indian investors, as their price was roughly at a parity with the price of similar Indian securities, it was possible to give them direct payment in the form of counterparts and the rupee finance of these of course presented no difficulty. As for the balance amounting to approximately 84 crores, it was taken over either by the Reserve Bank in the form of counterparts, or was met out of our balances, or financed by *ad hoc* treasury bills or ways and means advances from the Bank, the object being to provide both the Bank and Government with a portfolio which could be sold gradually to meet the market demand.

36. The first step taken in this direction was the cancellation of stock which, in our opinion, was in excess of the absorptive capacity of the market over the next few years and was not required for ensuring the marketability of such of the counterpart stock as was in the hands of the public. As a result some Rs. 47 crores of stock including that taken over from the Reserve Bank was cancelled and a small proportion was converted into existing loans for which there is a fairly sustained demand from the market. The combined result of these operations was an increase of Rs. 92 crores in our rupee debt and of Rs. 3 crores in our rupee interest charges against a reduction in sterling debt by Rs. 135 crores and sterling interest by Rs. 5½ crores. As opportunity occurred during the year by arrangement with the Reserve Bank, *ad hoc* treasury bills taken up by the Bank in connection with the repatriation were gradually cancelled against the transfer of sterling from the Banking Department to the Issue Department. In the result, prior to the announcement of the second scheme of repatriation, the Reserve Bank held only Rs. 2,71 lakhs of *ad hoc* treasury

bills. Meanwhile counterparts on Government's account were sold to the public as they required them, and by the end of December last, out of some Rs. 139 crores of rupee counterparts created since repatriation was first undertaken, Rs. 47½ crores had been cancelled, Rs. 51 crores were in the hands of the public, a little over Rs. 31 crores were held by the Reserve Bank and Rs. 9⅔ crores were held on Government account. As our outstanding of Treasury Bills actually decreased by Rs. 14 crores between the 1st March 1941 (*i.e.*, prior to the repatriation payments) and the end of January 1942, we may conclude that the cash payments on account of the counterparts which were cancelled have ultimately been financed almost entirely from Defence Loan proceeds. We may, therefore, claim that the bulk of the floating debt incurred for the financing of the first instalment of repatriation has already been funded. We may also be reasonably confident that we shall not encounter any unusual difficulty in making satisfactory arrangements for the financing of the second instalment of repatriation due to be carried out in two stages—one in March 1942 and the other in January 1943.

37. In regard to the 3½ per cent. stock, Government have been criticised in some quarters for not extending to it the machinery of compulsory acquisition used in the case of the other stock. This criticism overlooks the fact that although compulsory acquisition can be justified as a contribution to the general war effort, it is still compulsion and cannot be lightly employed. In the case of the 3½ per cent. stock, which has been standing so near to par and which is redeemable on a year's notice, we could urge no sufficiently valid reason for His Majesty's Government to use their special war time powers to acquire it for us, even though the acquisition would have meant some acceleration of the release of sterling for investment in a more permanent form in British Defence Loans.

38. I pointed out last year that the real gain to the country from repatriation lies in the liquidation of external obligations which might prove an embarrassment in future

and their replacement by internal debt. The method of finance employed, involving as it does payment to holders out of short-term obligations to be replaced gradually by funded loans, results in a certain temporary revenue gain. That, however, is only incidental, and if I mention a figure, I intend it to be a matter of only secondary interest to the House. We calculate that on the figures already given, the net saving to the revenue budget under interest would be of the order of Rs. 90 lakhs. In addition, to the extent to which the Reserve Bank is for the time being holding higher interest bearing rupee counterparts in its Issue Department instead of short-term sterling investment of lower yield, its profits will increase, and as ultimately the Bank's surplus profits are transferred to Government, Government gains thereby. I make no attempt to calculate precisely the size of this addition to Government revenue, but content myself with stating that it should be approximately of the order of Rs. 50 lakhs.

39. A question is sometimes asked as to the effect of these large transactions on the Bank's sterling reserves. In point of fact, by the 1st August 1941, the sterling reserve in the Issue Department had already been restored to the figure at the close of the previous year ending 30th June 1940, in spite of large payments on account of repatriation. Immediately before the announcement of the second scheme, in spite of a very large increase in note liabilities, the Reserve Bank held gold and sterling securities accounting for 77½ per cent. of the note liabilities, and at the end of January, it was in a position to find all the sterling necessary for the 2½ per cent. and 3 per cent. undated stock and yet retain a cover in gold and sterling securities well above 40 per cent. Indeed in this respect the Bank might almost be said to possess an embarrassing plenitude.

40. *Treasury Bills.*—In the Budget we assumed a net decrease of Rs. 11½ crores in the value of Treasury Bill outstandings. Actually by the end of January 1942 the outstandings had been reduced from Rs. 69 crores to Rs. 45½ crores, that is, by Rs. 23½ crores. This improvement

was due mainly to better Defence Loan receipts and sales of stock held by Government. Also, although the Reserve Bank have not found it necessary this year to take from us the rupee coin for which we had anticipated a credit of Rs. 5 crores, we have actually realised Rs. 10 crores from the sale of silver in India. Incidentally, the Bank will in the normal course have to take a further Rs. 5 crores of rupee coin from Government next April under Section 36 (2) of the Reserve Bank of India Act and we are accordingly assuming a credit of this amount next year.

We shall, however, have to find large sums to cover the repayment of the 2½ per cent. and the 3 per cent. undated sterling loans next month and we propose to meet this by creating additional treasury bills to the extent of Rs. 39 crores, the balance of the amount required being found either by the issue of stock to the Bank or from our own balances, supplemented if necessary by temporary ways and means advances.

41. *Post Office Cash Certificates and Savings Banks.*— The net discharge of Cash Certificates this year is not likely to vary appreciably from our original estimates of Rs. 6 crores; but against the credit of Rs. 2 crores assumed in the budget, Savings Bank transactions are likely to result in a net outgo of Rs. 7 crores. Until recently there was a steady decrease in withdrawals but with the extension of hostilities in the Far East there has been a setback. The position will, it is hoped, improve before long and for next year we are estimating the net encashment of Cash Certificates at Rs. 5 crores and the net withdrawals of Savings Bank deposits at Rs. 2 crores.

RAILWAY BUDGET 1942-43.

Extract from the proceedings of a Meeting of the Legislative Assembly, held in New Delhi on Wednesday, 18th February, 1942.

Speech of the Railway Member (The Hon'ble Sir Andrew Clow).

Sir,—I have the honour to present the Railway Budget for 1942-43. It would, I think, be true to say that on the

railways, as on the leading industries of this country, the most obvious effects of the war have hitherto been beneficial. They have earned phenomenal profits and to the public eye, their gains have been more apparent than their difficulties. If in some quarters there were complaints of insufficient facilities, that was not an entirely new phenomenon, particularly in more prosperous times, and many felt that better organization would overcome the hardships involved. The war was regarded by too many as something so remote from India that we were immune from its direct effects; business and politics could go on as usual, but with their tempo heightened by the indirect effects with which the first two years of war had made us familiar.

The Present Position.

2. To those who shared this view, recent events have come as a rude awakening, a fact which was reflected in our passenger traffic from Calcutta a few weeks ago. Actually, the difficulties which the war has created and is bound to create for transport have increased steadily throughout the year, and I trust that the figures which I present later will not lead any to view the prospects with complacency. Until fairly recently, it seemed that the railways, if given time, could discharge most of the demands made on them. There was a serious lag in the cold weather, but the slack season could be relied on to overtake the arrears. The present position is that the slack season has disappeared; traffic this summer remained at about the level of the previous winter and far above that of a normal winter, while this winter has brought a further increase in demands which it is impossible to meet in full. Military traffic has been on an unprecedented scale, supplies have been produced at an ever-increasing speed, other industries have expanded steadily, and alternative means of transport have contracted to an embarrassing extent.

3. Simultaneously the railways have had to face increasing handicaps. Rolling stock and rails have had to be given up to meet the requirements of defence, replacements are difficult or impossible to obtain, and experienced

personnel, in growing numbers, have gone on military or ancillary services. The signs point to an increasingly difficult situation. The rising intensity of the war effort, with all its direct and indirect effects is likely to have cramping effects on the general public. There is little prospect at present of the railways meeting more than a proportion of the demands made upon them, even if the tide of battle comes no nearer our shores.

4. There is likely, therefore, to be hardship on an increasing scale, but those running the railways will do as much as lies in their capacity to eliminate unnecessary hardship by meeting demands as far as is possible. They have already important achievements to their credit in this direction. Comparing our estimates of traffic in the current year with the figures for 1938-39, the last pre-war year, there is a rise of 30 per cent. in the ton miles of goods carried and of over 16 per cent. in passenger miles. This means an increase of nearly 3 thousand million passenger miles and of 6½ thousand million ton miles. Included in these figures is a large military traffic ; for example, about 2,000 special trains were provided in the first nine months of this year. The handling of military traffic gives rise to peculiar difficulties and tends to leave an aftermath of arrears of other traffic which is disproportionate to its volume. Military movements have frequently to be made at the shortest notice and with all possible speed ; they may involve big transfers of rolling stock, they are generally over long distances and are mainly over main lines. So that the increase in the amount of traffic carried has involved greater efforts than its bare proportion, large though that is, would suggest.

5. This has only been rendered possible by steady improvement in operating services and constant attention to maintenance. The extent of the achievement is illustrated by the fact that on the broad gauge system the average daily task of each locomotive on the line has risen from 15,000 freight ton miles in 1938-39 to 17,000 freight

ton miles and the wagon's daily tale of freight ton miles has been raised from 351 to 392. The public, in judging of railway capacity, is apt to think in terms of wagons, but the supply of wagons is only one of the factors which may impose limitations, and in many cases shortage of supply is due to limited operating capacity or inadequate power. Despite difficulties in respect of steel, works have been carried out which have enlarged the operating capacity on critical sections. All this has, of course, meant a big increase of work, which has fallen on a system which, owing to the difficulty of replacement, must suffer some deterioration. Most railway officers have shared the experience of their locomotives in having much harder tasks while their years increase. I am afraid that the average speed of the rolling stock must fall somewhat ; that of the officials will not if they can help it.

Accounts for 1940-41.

6. Let me turn from this brief mention of the work done to the financial reflection of that work. In introducing the budget last year I expected a surplus of 14.59 crores. Although this estimate had been substantially raised at the last moment, it proved under the mark by no less than 3.87 crores. The last two months of the year gave exceptional traffic returns ; we earned in that period 36 lakhs per day as against 30 lakhs per day in the preceding ten months, so that the gross traffic receipts for the year came to 111.94 crores instead of 109.25 crores. At the same time expenditure was less than the estimate by 1.06 crores. The largest item in this consisted of provision for enhanced dearness allowances to the staff which was not actually disbursed until the financial year had closed. Of the surplus of 18.46 crores, 12.16 crores went to general revenues and 6.30 crores to the railway reserve.

Revised Estimates for 1941-42.

7. For the current year the original estimate of revenue, including miscellaneous receipts, was 110.49 crores. This and indeed all previous figures have been

greatly exceeded, and we now estimate the receipts at 129.57 crores. Throughout the greater part of the year both goods and passengers have shown substantial increases ; latterly there has been a slight slackening in goods traffic, but passenger traffic has tended to show a further increase. The expenditure was put originally at 98.66 crores, but our present estimate is 103.37 crores. This increase is in the main due to an adjustment in respect of dismantled lines and abandoned assets and to the transfer of expenditure on ballast renewals from the depreciation fund to revenue. The net value of the assets lost in respect of dismantled lines amounts to 2.91 crores, 1.30 crores in respect of those dismantled last year and 1.61 crores in respect of those dismantled this year. A sum of 70 lakhs is available in the depreciation fund in respect of them, leaving an uncovered balance of 221 lakhs. When I presented the current year's budget, it was decided to debit such uncovered loss to the railway reserve, and this was actually done in 1940-41. On re-examination it has been found that technically it will be sounder to charge the amount to working expenses instead of adopting the round about method of putting the money first into the general reserve and then withdrawing it in the same year. It has therefore been decided with the concurrence of the Auditor General to adopt this course from the current financial year.

8. Last year I explained in some detail the system on which it was proposed to divide the surplus between general and railway revenues. The present position is that a moratorium is in force in respect of past debts to the depreciation fund and to general revenues. But we felt and still feel that despite this moratorium railways ought to make a substantially larger contribution to general revenues at this juncture than could be claimed under the Convention governing this matter. Actually what we attempted to do was to calculate how the surplus would be divisible under the Convention if there were no outstanding debts and then to make an arbitrary deduction from the amount assigned

by this system to the railways. But subsequent examination has led to the conclusion which has the concurrence of the Auditor General, that technically no surplus accrues until the arrears of debt have been paid off. As the system adopted, although founded in part on a mistaken impression, had been made to yield, by means of the arbitrary deduction, an equitable result, we propose to leave the allocation undisturbed, and to utilise the same method for dividing any surplus that may accrue next year. The sums so assigned to general revenues will, after meeting the 1 per cent. contribution for each year, go towards liquidating the arrears of that contribution for past years. Our present estimate for the current year is that the surplus will be 26.20 crores, of which the share of general revenues will be 19.12 crores and that of the railways 7.08 crores.

9. We propose to devote this last sum not to the railway reserve fund but towards repaying part of the debt to the depreciation fund. That fund should also receive a net accretion of about 7½ crores this year and of 5½ crores in 1942-43 representing the difference between the contribution made each year and the probable expenditure. Thus, if our estimates are fulfilled, the fund should have to its credit on 31st March 1943 a sum of over 64½ crores. The position of this fund has been the subject of long and earnest consideration during the past year and I would like to acknowledge here the assistance given by the valuable work done on this subject by one who had made it his special study. I refer to Sir Raghavendra Rau whose untiring work for the railways both outside and inside this House will long be remembered and whose death we deeply regret. The result of these inquiries has satisfied us that, even if we are able to repay the whole amount abstracted from the fund in the lean years, we shall still have a defective rather than an excessive provision there. As a later opportunity will doubtless present itself of discussing the subject in detail, I do not propose to enter on such a discussion now. I would merely stress the importance of doing all that we reasonably and legitimately can to ensure that after the

war the railways are in a position to play a full part in the reconstruction of the State.

Fares and Freights

10. Before giving the actual estimates for next year, I propose to deal with certain changes which are contemplated in fares and freight. In the present situation there are strong arguments for a substantial increase in passenger fares. The demand for passenger traffic has already reached a level which we have been unable to meet and so far from being able to increase our capacity here, we may have to make a substantial diminution almost at once. This is likely to be rendered necessary by the paramount importance of providing further capacity for goods and of meeting the military and supply demands. We have, with the co-operation of the press, issued an appeal to the public to avoid unnecessary travel, but the effect of this is likely to be small compared with the effect that would be produced by an enhancement of the fares. Such an enhancement, moreover, would recoup us for the traffic which is lost and it would also tend to counterbalance the increased costs which road transport is having to face. Finally, the bulk of the increased revenue would go under present arrangements to the taxpayers and thus permit them to be relieved in other directions.

11. We have weighed these arguments with the attention they deserve but have come to the conclusion that we should stay our hands in the matter of imposing a general increase. The need for this may become more apparent as time goes on, but we are anxious to avoid any undue increase of cost to the railway users. If railways followed the practice of many industrial and commercial firms, they could at the present moment secure very large increases in revenue and at the same time ease their own difficulties considerably by imposing increases which would effectively curtail the demand. But we are satisfied that this would not be in the public interest, and I hope that if in the future railways may again have to face financial

stringency, the moderation that has been shown will not be forgotten. All that we propose to do for the present is to make certain enhancements on two railways, the East Indian and the North Western. Passenger fares on these railways are substantially below the level prevailing on the other State-managed lines, and there is no sufficient ground for continuing to give passengers on those railways particularly cheap rates. A schedule of the enhancements is being distributed with the papers which will be placed in your hands, but I may say that on the East Indian Railway, except for an increase of ¼ pie per mile or 5 per cent. in the Intermediate class, there will be no enhancement at all on a journey up to 50 miles and the enhancement in the fares for the two lower classes on the N. W. and E. I. for a journey of any distance will not exceed ¼ pie per mile. Even after these enhancements the general scales will still remain somewhat below those prevailing on other important lines. These enhancements will not be brought into force until the 1st of May and the total estimated accession of revenue is in the neighbourhood of half a crore.

12. In respect of freights, we propose to make two changes, both of which are dictated largely by traffic considerations. In the first place, we propose to increase the rate for parcels. If this is not done, there will be an increasing tendency to send goods as parcels and thus to increase the strain on our passenger trains which are already having to be curtailed. The present rate for parcels is two annas per rupee above the pre-war rate, and it will be increased by another two annas. A similar enhancement will apply to excess luggage, but there will be no enhancement on articles which were exempted from the former increase, such as newspapers. The extra revenue from this change next year is estimated at half a crore.

13. In respect of food-grains we have made no change since the war began. We have followed this policy mainly in order to avoid as far as possible contributing to the extra cost of living ; but it is clear now that even if we had imposed an increase its effect would have been insignificant

compared to the enhancement of prices which others have secured. Wheat, for example, has been selling in important markets at 100 per cent. over the pre-war price. In spite of this we do not propose to bring food-grains into line with other commodities, but intend merely to impose an extra charge of two annas in the rupee on consignments of less than a wagon-load. Full wagons would continue to be charged at the existing rates. This is being done in order to ensure a better use of wagon supplies at a time when they are badly wanted. The revenue effect is likely to be small. We also propose to withdraw the rebate on wheat exported west of Aden, as there are no grounds at present for encouraging the export of wheat. The payments this year are likely to be of the order of 3 lakhs. None of these changes will be operative till the Ist of May.

Estimates for 1942-43.

14. Our estimate of the receipts for next year can be little more than a guess. Estimates of this kind are necessarily based on tendencies already apparent, coupled with changes that can be foreseen. But a war of the present intensity cannot be resolved into tendencies nor can we foresee with any accuracy the changes it may bring. We have, in the light of our imperfect knowledge, taken the estimated figure for the current year and subjected it to minor adjustments to allow for such factors as are apparent—the tendency to move from more paying to less paying traffic, the loss of a number of branch lines and a certain quantity of rolling stock, the minor alterations in our charges. This has given us a revenue figure of 128.47 crores. The estimate of expenditure may also prove wide of the mark but we cannot allow for possible new factors which are at present quite speculative and have taken a figure of 100.52 crores. This is 2.85 crores less than the revised estimate for the current year, but that estimate includes non-recurring adjustments and expenditure of 3.44 crores. We have allowed for an increase in ordinary working expenses of 1.11 crores. In the result the surplus is put at 27.95 crores.

15. I must warn the House that this figure is highly speculative, and is more likely to prove too high than too low. We face an extremely uncertain future, and there are various possible happenings any one of which might add greatly to our expenditure or injure our revenue or produce both effects at once. It is, on the whole, unlikely that no such events will disturb our calculations. If I were not obliged to place before the House detailed estimates of the expenditure that can be foreseen, and could make an arbitrary reduction from the revenue figure to cover incalculable risks, I should present a lower estimate. But we cannot, in budgeting, allow for contingencies of varying degrees of probability and of incalculable force. We must proceed on the basis of the factors which are apparent and which lend themselves to analysis. No one can allow for an earthquake and war tends to be a series of convulsions. My own view is that if the estimated surplus is realized, the nation is likely to be able to congratulate itself on more than that achievement.

16. If the surplus of 27.95 crores is realized, it is clear that we cannot allow the provisions of the Separation Convention to take its ordinary course next year. To do that would involve denying to the general taxpayer that measure of relief which he can legitimately claim, having regard to the strain he is asked to bear and to the fact that the railways' surpluses are being greatly swollen by expenditure on defence. It is, therefore, necessary that there should be a renewal of the moratorium, and a resolution to this effect will be placed before the House shortly. The surplus for 1942-43 can then be disposed of on the same system as before. If the estimates are realized, the railways' share will be 7.82 crores to be devoted to the repayment of debt to the depreciation fund. The share of general revenues will be 20.13 crores, and this payment would not only wipe out the arrears of the 1 per cent contribution but involve an additional payment of over a crore. The realization of this extra amount is, however, so speculative that it seems hardly necessary to reach a decision at this stage

regarding its treatment. I would merely say provisionally that it might be treated as an advance payment on account of the 1 per cent contributions due in future.

17. If the present conditions appear likely to continue after 1942-43, a new situation will be created. For the tax-payer will still have a strong claim in equity to substantial relief from railway revenues, but there will be no debt against which any payments outside the Convention can be set. We are therefore asking the House to renew the moratorium for only one year. This will make it necessary to put before you in the course of the year proposals involving a revised arrangement regarding the division of the surplus. Whether these arrangements will involve a general revision of the existing Convention, or merely further interim arrangements to meet the war situation only, must depend on further consideration in the light of the position reached by the autumn.

Capital Position.

18. I deal now with the more important changes in our assets. On the debit side, we have a further reduction in the mileage, due to the dismantlement of lines. The rails set free are being utilized for purposes of defence, both within India and overseas. Those taken this year are likely to amount to rather over 500 miles, of which about 70 miles were a forest tramway. The total represents only a fraction of the rails supplied, as rails from stock, rails set free by relaying and new rolling have been used to the utmost extent possible. The capital cost of the lines dismantled this year is 219 lakhs. A sum of 30 lakhs has accumulated against them in the depreciation fund, which also receives 58 lakhs for released materials, so that 88 lakhs will be debited to that fund and 131 lakhs to working expenses. We have also surrendered certain quantities of rolling stock. We deeply regret the necessity of doing anything to curtail the railways' capacity for service to the public at a time when alternative means of transport are so restricted, but it is a necessity, and some of the material has already

proved of much more benefit to the country than it was in its original location.

19. On the credit side the most important change made during the year has been the acquisition of the capital of certain companies with the transfer of their lines to State management. On the 1st January we took over the Bombay, Baroda and Central India Railway involving 1,260 miles of broad-gauge line, 2,025 miles of metre-gauge line and 172 miles of narrow-gauge line. We also took over the Assam Bengal Railway which had 1,308 miles of metre-gauge line and have amalgamated it with the Eastern Bengal Railway in what is now the Bengal and Assam Railway. These changes have involved an addition of 4.88 crores to our capital, which at the end of this year should stand at 758 crores.

20. An even bigger addition to our capital will be made in 1942-43 when we take over the Bengal and North Western and Rohilkund and Kumaon lines. The B. & N. W. Railway at present works 824 miles of our lines and owns 1,274 miles of its own. The R. & K. Railway works 311 miles of State-owned line and 259 miles of its own. The total capital cost is estimated at 18.15 crores. We propose to work these systems including the Tirhoot Railway, as a single unit. In addition we are acquiring the Tapti Valley Railway, a branch line of 156 miles worked by the Bombay, Baroda and Central India Railway, at a cost of 166 lakhs and the Mirpurkhas Khadro Railway, a branch line of about 50 miles, worked by the Jodhpur Railway, at a cost of 12 lakhs. We estimate that the capital at charge will have risen by the end of next year to 781½ crores.

21. Thus with the exception of unimportant light railways and some lines owned by Indian States, the whole of the railway system of Northern India and the extensions of this system in the western half of the peninsula as far south as the Kistna will be both State-owned and State-managed, and Company management will be confined to the lines in the east and south of the peninsula. The

combined mileage of the State-managed railways which stood a couple of months ago at 17,000 miles will be increased to 24,000 miles, and the State railway employees will have risen from 390,000 to over half a million men.

Conclusion.

22. The fact that after a fairly long experience of State management public opinion is, on the whole, strongly in favour of further enlargement of its scope is a compliment to those responsible for State railways which it would be ungracious to pass over in silence. I referred in my speech last year to the advantages which State management offers and the difficulties which it tends to create and do not propose to repeat what I then said. It is my earnest hope that the big decisions we have taken will yield all that the public expects from them.

23. At the same time I would record my personal opinion that if State management on this immense scale is to achieve success in a parliamentary State, both Government and the Legislature must acquiesce in a large devolution of responsibility. I am occasionally reminded by those who are anxious that I should use my personal influence in the matter of the promotion of an assistant station-master or the appointment of a clerk or the assignment of some minor contract, that the Moghal Emperors allowed all subjects to approach them personally with petitions on any matter. It is suggested that I or the Chief Commissioner, in our more limited spheres, should emulate them. What happened to the bulk of these petitions, history does not record; but I am convinced that to-day no great Department of State would long work if those at the top attempted to deal personally with all the matters that might be put before them. This is not because we regard detailed administration as unimportant; it is most important and personal cases may be of great moment to those whom they affect. It is simply because a great organization can only be carried on efficiently if there is a genuine sharing of responsibility and if those in less prominent positions are regarded not as

mere agents or subordinates—a word I dislike—whose every act is subject to revision, but as co-workers who are carrying on the struggle in different parts of the field. We should strive constantly that, as far as possible, all concerned get fair dealing and, more than that, get the feeling that there has been fair dealing. But this is not going to be ensured by constant interference by Government in individual cases any more than efficiency can be secured by attempting to concentrate all authority at head quarters. We must be prepared to trust, over a large field of administration, those filling responsible posts, and do our utmost to select men who merit that trust.

24. Speaking after three years' close acquaintance, I can affirm that the House and the public have reason to feel general confidence in those holding responsible posts on our railways. They are not good at advertising their own merits, even when they have the time to do so; and the public is too often left with inadequate information of their difficulties and their efforts. But they and the host of others in the various grades of the service have been facing increasingly arduous and complex tasks with devotion and skill, and I do not believe that the general standard of efficiency has ever been higher than it is to-day. I would acknowledge specially the inspiring lead given by Sir Leonard Wilson and his officers here in a more exacting time than the railways have ever had to face.

25. The impossibility of meeting all the calls upon the railways has resulted not merely in serious inconvenience to many of the public, but in real hardships in a number of cases. As I suggested earlier, such hardships are more likely to increase than to decrease as our war effort grows in intensity. No one regrets this more than the railway administrations, who are themselves undergoing a considerable strain. I would acknowledge the forbearance shown by most sections of the public under present conditions, and ask for the fullest measure of co-operation in any trials that lie ahead. They will thus enable railwaymen in all ranks of the service to give of their best for the public

welfare in every way they can and, in particular, by striving for that victory on which depends greatly the welfare of India for generations to come.

Rules and Regulations for the Measurement for tonnage of Cotton and other Goods in bales or packages under the orders of the Bombay Chamber of Commerce.

(*Adopted at a Special General Meeting of the Chamber, held on the 24th September* 1924.)

I. Whereas it is expedient to collate and amend the Rules and Regulations for the measurement of goods.

II. All such Rules and Regulations hitherto in force are hereby rescinded and the following are substituted therefor.

III. In the following Rules and Regulations and in any Orders that may from time to time be issued by the General Committee of the Chamber of Commerce under Rule XVII—

(*a*) Measurer shall mean a measurer appointed by the Committee of the Chamber of Commerce for the purposes of these rules.

(*b*) Measurement shall mean measurement by such measurer.

(*c*) Shipper shall mean the person shipping the goods or his representative.

(*d*) Quay shall mean a place in the Docks or at one of the Bunders recognized for the regular shipment of goods.

(*e*) Vessel shall mean a vessel propelled by sail or steam and not being used for the conveyance of goods from the Quay to another vessel in the Port of Bombay.

(*f*) Boat shall mean a vessel, lighter or craft used for the conveyance of goods from the Quay to a vessel in the Port of Bombay.

(*g*) Package shall mean a bale, case, barrel, cask, bag or other receptacle subject to measurement.

(*h*) Consignment shall mean the whole quantity of one commodity subject to measurement to be shipped by one shipper in one vessel.

(*i*) Lot shall mean a package or number of packages forming part of a consignment and presented by one shipper at one time for measurement.

IV. Public Measurers shall be appointed under the authority of the Chamber of Commerce and stationed at the different quays to measure packages.

V. Fees, the amount of which shall from time to time be fixed under the Orders of the General Committee of the Chamber of Commerce, shall be levied in accordance with such Orders on all goods presented for measurement.

VI. No measurement shall be held good except such as are taken by a Measurer and with instruments bearing the stamp of the Chamber of Commerce.

VII. Such instruments shall be supplied and issued to the Measurers by the Chamber of Commerce.

VIII. All instruments shall be submitted to the Secretary of the Chamber of Commerce at intervals to be prescribed by the Committee and a register of such inspections shall be kept.

IX. Measurers shall be responsible for the good order of their instruments and for the prompt return to the Secretary of the Chamber of such as are defective or doubtful.

X. The Chamber's stamp borne by instruments that are found by the Secretary to be defective shall be by him defaced.

XI. Instruments on which the Chamber's stamp has been defaced may be re-stamped under the directions of the Secretary when they are in good order.

XII. Certificates of measurements shall be issued to shippers and/or to Ship Agents in such form and in such manner as the Committee for the time being shall from time to time provide.

XIII. Provided always that the Measurer may withhold or recall such certificate on his having reasonable cause to believe that an irregularity in the matter of shipment has been or is being committed in respect of the goods to which such certificate relates.

XIV. The goods measured shall be alongside the vessel within thirty-six hours after measurement, weather permitting, or the certificate shall be void and the packages shall be remeasured on board, written notice being given by the owner, agent or master of the ship to the Shipper and to the Measurer, respectively.

XV. Shippers shall as far as possible see that their goods are so arranged for measurement as not to retard the work of the Measurers.

XVI. The salaries of the Measurers and all other expense connected with this system of measurement shall be paid by the Chamber of Commerce from the Fee Fund raised under these Rules.

XVII. The Committee of the Chamber of Commerce are hereby authorized to appoint and maintain such staff of Measurers and Assistants, to fix and to pay such salaries to that staff, to fix and to collect such fees, to issue and from time to time to modify such orders, and to do all other such acts and things as may in their opinion be necessary for the proper and economical working of the system in conformity with the general principles herein laid down.

Orders for the Conduct of Measurement of Goods for Tonnage by Public Measurers in the Port of Bombay.

(Issued by the Committee of the Bombay Chamber of Commerce in pursuance of Section XVII of the Rules and Regulations adopted at a Special General Meeting of the Chamber held on the 24th September 1924.)

(1) All Orders hitherto in force for the governance of Measurers are hereby rescinded and the following are substituted.

(2) The Measurers shall be in attendance on the Quays to which they are appointed whenever there are goods to be measured. During the busy season Measurers are expected to be on duty early and late.

(3) All Measurement Fees shall be paid to the Measurement Fee Clerk, and no goods shall be measured without the production of the Customs House Pass bearing the endorsement of the said clerk to the effect that the fees have been paid.

(4) The certificates of measurements issued in conformity with Rule XII shall show—

(*a*) the date, hour and place of measurement ;
(*b*) the name of the shipper ;
(*c*) the name of the vessel ;
(*d*) the port of destination ;
(*e*) the number and description of packages ;
(*f*) the marks ;
(*g*) the measurement ;

and in the case of goods shipped by boats—

(*h*) the registered number of the boat
(*i*) the name of the tindal.

The certificates of measurement shall be issued by the Measurers and shall in every case be signed by the Measurer who measured the goods.

(5) The whole of the packages forming a consignment of not more than thirty-two packages must be deposited on the Quay before measurement is taken.

(6) Consignments of more than thirty-two packages may be presented for measurement in lots of not less than thirty-two packages provided always that each lot, as soon as it is measured, is loaded into boats or shipped and that no unmeasured lot is mixed with a measured lot. Provided also that a final lot of less than thirty-two packages, being the complement of a consignment of more than thirty-two packages, may be measured separately.

(7) Shippers failing to have each lot as soon as measured loaded into boats or shipped ; or shippers mixing unmeasured goods with measured goods or permitting them

to be mixed ; or shippers retarding the work of the Department by failing to move with reasonable promptitude the bales required by the Measurer to be moved for the proper performance of his duties ; or shippers attempting to elude these regulations, any such persons or their representatives may be required by the Measurer to deposit on the Quay the whole complement of their consignment before measurement is taken. In all cases when such requisition is made, the Measurer making it shall briefly report in writing to the Secretary the name of the shipper against whom, the goods in respect of which and the reason for which, it has been made.

(8) A Measurer withholding or recalling a certificate under Section XIII of the Rules and Regulations adopted on the 24th September 1924 shall likewise briefly report to the Secretary in writing.

(9) No goods shall be measured otherwise than on a Quay excepting under the special conditions contemplated under Rule XIV and Order 22.

(10) Each and every package in a lot of packages not of uniform dimensions shall be measured individually. This Rule shall not apply to lots of pressed bales from various presses if the shipper arrange such diverse bales according to their respective dimensions separately on the Quay.

(11) In regard to packages of uniform dimensions the Measurer shall use his judgment as to the proportion of such goods he should measure ; but such proportion shall in no case be less than five per centum of each lot. Care must be taken by the Measurers that they are not induced to measure packages that do not fairly represent the average.

(12) In no case shall a shipper's man or men be allowed to put the callipers on a package. A peon of the Chamber holding the callipers may, when standing exactly in front, pull them tight with his hands but not when standing on one side, nor shall he ever be allowed to pull the callipers towards his chest or side or to put his shoulder to them.

(13) In measurement for length, care must be taken that the legs of the callipers touch the ground and that bales when being measured lie in the same position as when in the press. Measurement of bales for depth and breadth shall be taken on the ends, half the number of bales being measured on the marked end and half on the other end.

(14) Measurers when measuring pressed bales shall ascertain whether all are from one press or not, and under orders (10) and (11) of these orders shall further ascertain how many bales there are from each press and shall give measurement accordingly and show on the certificate the number of bales to which each measurement relates.

(15) In cases where the shipper shall hand to the Measurer a letter from the owner, agent or master of the vessel authorising the Measurer to accept for measurement and calculation of average such packages as the said shipper may reserve for such measurement, the Measurer shall measure the packages so reserved and give a certificate on the basis of their measurement, provided that such packages represent not less than five per centum of the entire consignment.

(16) The scale of measurement fees leviable under Rules V and XVII shall be as follows :—

(*a*) On Cotton, Wool, Hemp, Aloe Fibre, Twist (white and coloured), Rags, and waste in pressed bales—pies 6 per bale.

(*b*) On Round Timber or Logs—each annas 8.

(*c*) On Gunny bales from Calcutta, Hide and Skins, Piecegoods, and all goods not included under (*a*) and (*b*), packages of divers dimensions—annas 2 per package.

Subject to a rebate of anna one per package on the Measurer's certifying that the lot measured consisted of not less than 50 packages all of uniform dimensions.

(*d*) On goods of any description measured on board a vessel—annas 2 per package.

(*e*) When the work of the Department admits of such an arrangement, the exclusive services of a Measurer for a day may be secured on payment to the Secretary of a fee of Rs. 10.

(*f*) The attendance of a Measurer on a Sunday or one of the Charter-Party Holidays when the Docks are closed may be secured on application to the Secretary, accompanied by the sum of Rs. 15 which shall be paid by him to the Measurer appointed by him to attend. The fee of Rs. 15 shall cover the services of one Measurer for one ship. If two Measurers are applied for two fees of Rs. 15 must be paid at the time of application. If a Measurer is required to work on more than one steamer a separate fee of Rs. 15 must be paid in respect of each steamer.

(*g*) The attendance of a Measurer for night duty may be secured in the same manner as above.

(17) All disputes as to the applicability of Order 16 (*d*) under Rule XIV shall be referred to the Weather Working Days Committee of the Chamber and the decision of that Committee shall be final. With respect to Order 16 (*d*) a refund of pies 6 per package will be made on declaration of the said Committee, remitted on the invitation of the claimant that the state of the weather during the thirty-six hours of grace allowed had been such as to justify the shipper's delay in bringing the goods alongside.

(18) Refund of measurement fees in full shall be made in respect of a consignment or portion of a consignment shut out after measurement.

(19) In respect of Round Timber and Logs, the measurement to be certified, in accordance with Order 4 (*g*), shall be as follows :—

Length in feet and inches : As found with tape.

Breadth : The mean of two measurements taken with callipers at thickest and thinnest portions.

Depth : The mean of two measurements taken with callipers at thickest and thinnest portions.

The certificate shall also show under Order 4 (*a*) not only the time at which the work of measurement was commenced, but the time at which it was completed. On application to the Secretary supported by evidence of time as here provided refund will be made of the difference between the fee as prescribed under Order (16) (*b*), and a charge of Rupees Two for every hour or part of an hour actually occupied in measurement.

(20) Refund of Measurement Fees shall not be made for any sum less than three Rupees.

(21) All claims for Refund of Measurement Fees shall be made to the Secretary of the Chamber of Commerce who shall allow or disallow such claims in conformity with these Orders, but no claim for Refund of Measurement Fees shall be allowed unless presented within one month from the date of the sailing of the vessel concerned.

(22) Each Measurer shall keep a Dispute Book and it shall be competent for any shipper or the owner, agent or master of a vessel who disputes the correctness of a measurement given in respect of goods being shipped by him to call for the said Dispute Book, which the Measurer shall produce at once, and to enter therein a claim to have the goods in question or any portion of them remeasured. And on the said shipper or the owner, agent or master of a vessel depositing with the Measurer the sum of annas 2 for each package to be measured, the Measurer shall at once remeasure such package or packages in such a manner that the shipper or the owner, agent or master of a vessel can see whether the measurement is correctly taken and shall give to the shipper or the owner, agent or master of a vessel a certificate of the measurement so found and write thereon the words " Protested Certificate. Fee paid Rs. . . . ." and the sum so paid. The Measurer shall immediately thereafter forward to the Secretary a statement of the case together with the amount of the Fee received.

Provided that on any of the stations where more than one measurer is employed, the Measurer whose measurements are disputed shall, immediately after receiving the protest and fee, call another Measurer who shall make the remeasurement in the manner above laid down, shall issue the " Protested Certificate " and forward the necessary statement to the Secretary.

(23) Should a shipper demand remeasurement under Order 22 and should such remeasurement, in the opinion of

the Secretary, show the original measurement not to have been substantially correct, the extra fee of annas 2 per package shall be refunded to the shipper on demand and the case reported to the Committee.

(24) Every Measurer shall receive a book of Measurement Slips together with indelible pencil and carbon paper for making such slip in quadruplicate. The Measurer will hand to the shippers at the time of measurement the original and the third carbon copy ; the first carbon copy will be handed to the ship agent's representative on demand and the second carbon copy will be retained for the Chamber's records.

Provided that when goods are shipped in boats for delivery alongside, the said first carbon copy, belonging to the ship's agent, shall be handed to the boatman from whom it should be obtained by the ship's officers.

STATEMENT showing the Total Measurement of Bales and Miscellaneous Packages with Receipts, Expenditure, etc.

Year ending	No. of Bales and Packages measured.	Receipts.	Expenditure.	Surplus Receipts.	Excess of Expenditure.
		Rs.	Rs.	Rs.	Rs.
From 18th May 1870 to 30th November 1872	Not recorded.	52,215	36,315	15,900	..
From 1st Dec., 1872 to 30th November 1873	1,086,577	16,995	15,291	1,704	..
Year ending 30th November 1874 ..	1,402,379	21,707	18,986	2,721	..
Do. 30th November 1875 ..	1,474,470	23,039	22,009	1,030	..
Do. 30th November 1876 ..	1,240,034	19,375	22,355	..	2,980
Do. 30th November 1877 ..	1,101,318	18,324	21,561	..	3,237 *
Do. 30th November 1878 ..	1,040,961	20,837	23,287	..	2,450
Do. 30th November 1879 ..	887,100	28,808	20,140	8,668	..
Do. 30th November 1880 ..	1,163,545	33,219	20,084	13,135	..
Do. 30th November 1881 ..	1,313,592	25,177	24,029	1,147	..
Do. 30th November 1882 ..	1,892,796	33,225	24,757	8,468	..
Do. 30th November 1883 ..	1,852,047	33,792	25,605	8,187	..
Do. 30th November 1884 ..	1,814,986	33,404	22,604	10,800	..
Do. 31st December 1885 ..	1,402,845	29,482	24,385	5,097	..
Do. 31st December 1886 ..	1,748,856	32,893	21,582	11,311	..
Do. 31st December 1887 ..	1,845,446	35,933	20,017	15,916	..
Do. 31st December 1888 ..	1,659,273	36,371	21,057	15,314	..
Do. 31st December 1889 ..	2,156,604	43,042	21,648	21,394	..
Do. 31st December 1890 ..	2,330,935	45,872	23,171	22,701	..
Do. 31st December 1891 ..	2,012,900	39,533	23,402	16,131	..
Do. 31st December 1892 ..	1,946,389	38,017	24,495	13,522	..
Do. 31st December 1893 ..	1,691,755	32,517	24,273	8,244	..
Do. 31st December 1894 ..	1,708,723	33,665	25,156	8,509	..
Do. 31st December 1895 ..	1,679,325	34,921	21,546	13,375	..
Do. 31st December 1896 ..	2,049,862	40,061	22,240	17,821	..
Do. 31st December 1897 ..	1,746,010	33,956	22,484	11,472	..
Do. 31st December 1898 ..	1,910,140	36,174	21,100	15,074	..
Do. 31st December 1899 ..	2,132,663	41,684	21,041	20,643	..
Do. 31st December 1901 ..	1,147,591	28,302	20,844	7,458	..
Do. 31st December 1902 ..	2,947,198	45,497	21,918	23,579	..
Do. 31st December 1903 ..	2,159,823	43,709	26,865	16,844	..
Do. 31st December 1904 ..	2,664,171	53,654	31,522	22,132	..
Do. 31st December 1905 ..	2,292,791	48,673	19,666	29,007	..
Do. 31st December 1906 ..	2,534,599	53,255	21,427	31,828	..
Do. 31st December 1907 ..	2,685,432	54,215	23,516	30,699	..
Do. 31st December 1908 ..	2,976,312	60,171	27,054	33,117	..
Do. 31st December 1909 ..	2,302,349	48,844	29,706	19,138	..
Do. 31st December 1901 ..	2,736,023	57,502	28,310	29,192	..
Do. 31st December 1900 ..	3,163,919	65,853	30,617	35,236	..
Do. 31st December 1911 ..	2,390,016	54,123	34,028	20,095	..
Do. 31st December 1912 ..	2,528,825	55,571	31,953	23,618	..
Do. 31st December 1913 ..	3,127,997	64,049	32,441	31,608	..
Do. 31st December 1914 ..	3,336,685	65,197	36,014	29,183	..
Do. 31st December 1915 ..	3,361,744	73,410	35,002	38,408	..
Do. 31st December 1916 ..	3,409,241	85,407	37,571	47,836	..
Do. 31st December 1917 ..	2,944,353	67,356	41,360	25,996	..
Do. 31st December 1918 ..	1,939,943	73,386	41,640	31,746	..
Do. 31st December 1919 ..	2,910,991	86,189	46,154	40,035	..
Do. 31st December 1920 ..	3,027,873	1,06,901	70,146	36,755	..
Do. 31st December 1921 ..	3,407,858	1,54,071	70,208	83,863	..
Do. 31st December 1922 ..	3,517,691	1,60,333	76,399	83,934	..
Do. 31st December 1923 ..	2,692,835	1,24,179	76,939	47,240	..
Do. 31st December 1924 ..	2,365,531	1,16,002	72,034	43,968	..
Do. 31st December 1925 ..	2,111,055	1,09,375	69,703	39,672	..
Do. 31st December 1926 ..	1,785,602	1,08,621	68,203	40,418	..
Do. 31st December 1927 ..	1,573,756	1,33,382	74,839	58,543	..
Do. 31st December 1928 ..	1,991,021	1,13,092	71,963	41,129	..
Do. 31st December 1929 ..	1,825,481	1,02,578	69,338	33,240	..
Do. 31st December 1930 ..	1,812,795	1,00,015	69,192	30,823	..
Do. 31st December 1931 ..	1,288,522	82,470	62,917	19,553	..
Do. 31st December 1932 ..	985,491	79,726	60,855	18,871	..
Do. 31st December 1933 ..	1,255,823	77,857	57,161	20,696	..
Do. 31st December 1934 ..	1,185,092	76,414	55,958	20,456	..
Do. 31st December 1935 ..	1,312,477	80,997	60,126	20,871	..
Do. 31st December 1936 ..	1,480,674	87,086	60,676	26,410	..
Do. 31st December 1937 ..	*1,592,567	1,03,975	67,914	36,061	..
Do. 31st December 1938 ..	†1,645,592	1,06,116	79,615	26,501	..
Do. 31st December 1939 ..	‡1,388,253	93,819	75,999	17,820	..
Do. 31st December 1940 ..	§1,519,661	1,12,739	65,480	47,259	..
Do. 31st December 1941 ..	‖2,240,968	1,85,892	85,228	1,00,664	..

*Includes 112,859 packages weighed.
† Do. 371,120 Do. Do.
‡ Includes 196,887 packages weighed.
§ Do. 198,589 Do. Do.
‖ Do. 276,155 Do. Do.

Statement showing the Total Measurement and weighment of Bales and Miscellaneous Packages, with Receipts for the years 1923 *to* 1941.

Years.	Nett Bales certified. Measurement				Nett Miscellaneous Articles.				Nett Weighment Packages.				Nett Round Logs.				Extra Fees.				Nett Totals.			
	Number of Bales.	Nett Fees.			Number of Packages.	Nett Fees.			Number of Packages.	Nett Fees.			Number of Lags.	Nett Fees.			Amount.				Packages.	Nett Fees.		
		Rs.	a.	p.		Rs.	a.	p.		Rs.	a.	p.		Rs.	a.	p.	Rs.	a.	p.			Rs.	a.	p.
1923..	2,024,508	63,265	14	0	668,323	57,951	2	3	..				4	2	0	0	2,960	7	6		2,692,835	1,24,179	7	9
1924..	1,723,813	53,869	2	6	641,718	58,174	5	9	..	..							3,958	14	0		2,365,531	1,16,002	6	3
1925..	1,579,403	49,356	5	6	531,652	55,700	2	6	..	..							4,318	7	6		2,111,055	1,09,374	15	6
1926..	1,254,587	39,205	13	6	531,015	63,323	9	0	..	..							6,091	7	6		1,785,602	1,08,620	14	0
1927..	995,512	31,141	0	0	577,244	68,542	0	0	..	..							33,699	10	0		1,573,756	1,33,382	10	0
1928..	1,480,555	46,267	5	6	510,388	60,803	15	0	..	..			78	39	0	0	5,981	6	0		1,991,021	1,13,091	10	6
1929..	1,328,917	41,528	10	6	496,505	58,565	3	0	..	..			59	29	8	0	2,455	0	6		1,825,481	1,02,578	6	0
1930..	1,365,626	42,675	13	0	447,169	51,784	15	0	..	..							5,554	7	6		1,812,795	1,00,015	3	6
1931..	882,510	27,578	7	0	406,012	47,149	1	0	..	..							7,743	1	0		1,288,522	82,470	9	0
1932..	487,331	15,229	1	6	498,160	56,297	1	0									8,199	15	0		985,491	79,726	1	6
1933..	834,305	26,072	0	6	421,518	46,986	4	0	..	..							4,799	2	6		1,255,823	77,857	7	0
1934..	738,590	23,080	15	0	446,502	51,297	12	0									2,035	4	0		1,185,092	76,413	15	0
1935..	861,868	26,933	6	0	450,609	51,453	10	0	..	..							2,610	6	6		1,312,477	80,997	6	6
1936..	1,003,105	31,347	0	6	477,562	54,601	2	0					7	3	8	0	1,134	8	6		1,480,674	87,086	3	0
1937..	890,184	27,818	4	0	589,709	66,567	4	0	112,659	6,953	11	0	15	7	8	0	2,628	3	0		1,592,567	1,03,974	14	0
1938..	771,860	24,120	10	0	502,612	57,301	3	0	371,120	22,882	8	0	..	..			1,812	4	6		1,645,592	1,06,116	9	6
1939..	690,835	21,588	9	6	500,526	57,034	10	0	196,887	12,166	6	0	5	2	8	0	3,027	5	0		1,388,253	93,819	6	6
1940..	646,462	20,201	15	0	674,508	74,724	12	0	198,589	12,171	2	6	102	17	4	0	5,624	2	6		1,519,661	1,12,739	4	0
1941..	585,399	18,293	11	6	1,379,414	140,141	14	0	276,155	15,505	0	6	..	..			11,951	6	0		2,240,968	1,85,892	0	0

FINANCIAL STATISTICS.

RESERVE BANK OF INDIA

Balance Sheet as at 30th June 1941.

LIABILITIES.	Rs.	ASSETS.	Rs.
NOTES HELD IN THE BANKING DEPARTMENT :—		Gold Coin and Bullion—	
(a) Legal Tender in India	12,96,22,461	(a) Held in India	44,41,43,310
(b) Legal Tender in Burma only ..	10,85,465	(b) Held outside India	....
NOTES IN CIRCULATION :—		Sterling Securities	1,18,79,95,210
(a) Legal Tender in India	2,60,01,13,762	Rupee Coin	36,80,93,505
(b) Legal Tender in Burma only ..	18,25,65,540	Government of India Rupee Securities	91,31,55,203
		Internal Bills of Exchange and other Commercial Paper	*Nil.*
Total Rs. ..	2,91,33,87,228	Total Rs. ..	2,91,33,87,228

		Rs.
10 BALANCE at the credit of Government of India in the Reserve Bank of India on 31st December	1935 ..	8,84,82,000
,, ,, ,, ,, ,, ,, ,, ,, ,, ,, ,,	1936 ..	9,83,12,000
,, ,, ,, ,, ,, ,, ,, ,, ,, ,, ,,	1937 ..	9,76,31,226
,, ,, ,, ,, ,, ,, ,, ,, ,, ,, ,,	1938 ..	11,18,53,088
,, ,, ,, ,, ,, ,, ,, ,, ,, ,, ,,	1939 ..	12,85,56,799
,, ,, ,, ,, ,, ,, ,, ,, ,, 30th June	1940 ..	12,07,61,172
,, ,, ,, ,, ,, ,, ,, ,, ,, ,, ,,	1941 ..	22,45,19,099

	Official year 1940-41. Rs.	Official year 1939-40. Rs.	Official year 1938-39. Rs.
COINAGE OF SILVER IN INDIA—(Bombay and Calcutta Mints)— Whole Rupees	2,00,00,000	*Nil.*	*Nil.*

	Rs.
NET PROFIT ON COINAGE for the year 1940-41	1,45,11,003

		Rs.
AMOUNT OF GOVERNMENT PROMISSORY NOTES standing on the London Registers at the end of March	1934 ..	8,16,29,300
,, ,, ,, ,, ,, ,, ,, ,, ,, ,, ,,	1935 ..	8,48,36,000
,, ,, ,, ,, ,, ,, ,, ,, ,, ,, ,,	1936 ..	7,91,99,000
,, ,, ,, ,, ,, ,, ,, ,, ,, ,, ,,	1937 ..	7,74,08,000
,, ,, ,, ,, ,, ,, ,, ,, ,, ,, ,,	1938 ..	7,63,18,000
,, ,, ,, ,, ,, ,, ,, ,, ,, ,, ,,	1939 ..	7,55,28,150
,, ,, ,, ,, ,, ,, ,, ,, ,, ,, ,,	1940 ..	5,44,65,550
,, ,, ,, ,, ,, ,, ,, ,, ,, ,, ,,	1941 ..	5,38,36,550
,, ,, ,, ,, ,, ,, ,, ,, ,, ,, ,,	1942 ..	2,05,78,550

IMPORT AND EXPORT TRADE OF BRITISH INDIA.

STATEMENT showing the Annual Value of the Import and Export Trade of British India and the Total Miles of Railway opened.

Calendar Year.	Total Miles of Railway opened.	Year ending 31st March.	Imports.			Exports.		
			Merchandise.	Treasure.	Total Merchandise and Treasure.	Merchandise.	Treasure.	Total Merchandise and Treasure.
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1878 ..	8,217	1878	41,46,41,851	17,35,54,596	58,81,96,447	65,22,23,282	2,21,09,956	67,43,33,238
1879 ..	8,494	1879	37,80,09,835	7,05,67,486	44,85,77,321	60,93,68,769	3,98,22,283	64,91,91,052
1880 ..	9,162	1880	41,17,25,671	11,65,48,948	52,82,74,619	67,21,07,406	2,03,51,479	69,24,58,885
1881 ..	9,890	1881	53,08,68,074	8,99,72,139	62,08,40,213	74,54,09,072	1,44,04,408	75,98,13,480
1882 ..	10,149	1882	49,11,28,724	11,32,27,804	60,43,56,528	81,96,64,102	1,09,97,468	83,06,61,576
1883 ..	10,458	1883	52,09,86,720	13,45,33,642	65,55,20,362	83,48,49,372	1,04,18,488	84,52,67,860
1884 ..	11,631	1884	55,29,89,907	12,87,79,633	68,17,69,540	88,07,64,315	1,00,84,937	89,08,49,252
1885 ..	12,283	1885	55,70,16,804	13,88,81,918	69,58,98,722	83,17,01,507	1,96,89,796	85,13,91,302
1886 ..	12,892	1886	55,65,19,552	15,46,70,808	71,11,90,360	83,86,11,693	1,10,82,310	84,96,94,603
1887 ..	14,103	1887	61,81,19,608	11,04,83,224	72,86,02,832	88,48,10,354	1,72,04,261	90,20,14,615
1888 ..	14,576	1888	65,00,45,881	13,81,25,456	78,81,71,337	90,54,36,458	1,60,46,242	92,14,82,700
1889 ..	15,887	1389	69,43,77,531	13,84,49,249	83,28,26,780	97,06,02,386	1,78,43,819	98,84,46,205
1890 ..	16,405	1890	69,19,93,762	17,45,45,037	86,65,38,799	1,03,44,87,052	1,90,63,218	1,05,35,50,270
1891 ..	17,308	1891	71,97,57,754	21,93,44,876	93,91,02,630	1,00,21,50,575	2,12,31,785	1,02,33,82,360
1892 ..	17,815	1892	69,42,75,659	14,72,26,621	84,15,02,280	1,08,17,79,873	3,28,66,858	1,11,46,46,731
1893 ..	18,504	1893	66,27,86,222	17,00,98,101	83,28,84,323	1,06,57,46,715	6,95,89,237	1,13,53,35,952
1894 ..	18,900	1894	77,02,60,944	18,46,12,564	95,48,73,508	1,06,51,48,540	4,10,01,921	1,10,61,50,461
1895 ..	19,547	1895	73,51,65,042	9,58,12,084	83,09,77,126	1,08,92,91,101	8,22,60,717	1,17,15,51,818
1896 ..	20,254	1896	72,93,61,344	13,36,79,854	86,30,41,198	1,14,34,59,341	4,25,98,105	1,18,60,57,446
1897 ..	21,115	1897	76,21,58,352	13,08,45,635	89,30,03,987	1,03,98,36,184	4,93,74,955	1,08,92,11,139
1898 ..	22,040	1898	73,63,43,159	20,53,06,170	94,16,49,329	97,63,51,802	7,14,86,470	1,04,78,38,272
1899 ..	23,523	1899	72,11,07,161	17,89,56,127	90,00,63,238	1,12,80,11,811	7,41,14,207	1,20,21,26,018
1900 ..	24,752	1900	75,30,44,785	20,97,36,851	96,27,81,636	1,09,11,36,448	7,95,63,876	1,17,07,00,324
1901 ..	25,363	1901	80,89,40,873	24,57,61,818	1,05,47,02,691	1,07,76,44,143	14,22,73,646	1,21,99,17,789

1902 ..	*25,931*	*1902*	*88,74,24,199*	*20,87,13,352*	*1,09,61,37,551*	*1,24,52,48,571*	*11,47,08,603*	*1,35,99,57,174*
1903 ..	26,956	1903	85,86,60,829	25,31,83,178	1,11,18,44,007	1,29,40,79,337	9,65,76,370	1,39,06,55,707
1904 ..	27,565	1904	92,59,22,723	38,52,61,072	1,31,11,83,795	1,53,51,71,599	15,04,38,811	1,68,56,10,410
1905 ..	28,295	1905	1,04,41,27,454	39,50,81,750	1,43,92,09,204	1,57,70,83,029	16,42,88,167	1,74,13,71,196
1906 ..	29,097	1906	1,12,07,09,822	31,65,14,438	1,43,72,24,260	1,61,85,53,960	15,47,00,054	1,77,32,54,014
1907 ..	30,010	1907	1,17,24,15,294	44,57,98,114	1,61,82,13,408	1,76,66,94,270	5,71,82,526	1,82,38,76,796
1908 ..	30,576	1908	1,36,53,80,464	42,28,44,977	1,78,82,25,441	1,77,37,29,392	5,44,85,001	1,82,82,14,393
1909 ..	31,490	1909	1,28,77,81,788	22,74,41,677	1,51,52,23,465	1,53,14,31,953	6,32,02,465	1,59,46,34,418
1910 ..	32,099	1910	1,22,64,97,224	37,52,34,734	1,60,17,31,958	1,87,83,04,410	6,39,90,403	1,94,22,94,813
1911 ..	32,839	1911	1,33,70,57,458	39,77,35,730	1,73,47,93,188	2,10,15,16,030	7,12,69,254	2,17,27,85,284
1912 ..	33,484	1912	1,44,05,54,383	53,47,08,480	1,97,52,62,863	2,27,98,82,325	10,37,39,063	2,38,36,21,388
1913 ..	34,656	1913	1,66,62,96,807	61,83,17,536	2,28,46,14,343	2,46,21,83,342	10,63,17,656	2,56,85,00,998
*1913-14..	34,656	1914	1,91,30,79,586	43,43,96,503	2,34,74,76,089	2,49,00,74,896	7,08,28,850	2,56,09,03,746
*1914-15..	35,285	1915	1,44,93,07,207	21,80,83,236	1,66,73,90,443	1,82,17,60,256	5,28,94,370	1,87,46,54,626
*1915-16..	35,833	1916	1,38,16,93,032	11,94,62,390	1,50,11,55,422	1,99,48,03,975	8,22,57,819	2,07,70,61,794
*1916-17..	36,286	1917	1,60,24,89,599	38,45,26,695	1,98,70,16,294	2,47,37,74,815	6,41,72,070	2,53,79,46,885
*1917-18..	36,333	1918	1,64,35,48,949	51,76,43,160	2,16,11,92,109	2,44,90,40,505	7,54,39,185	2,52,44,79,690
*1918-19..	36,616	1919	1,88,56,24,317	71,36,55,075	2,59,92,79,392	2,55,32,02,610	9,01,03,571	2,64,33,06,181
*1919-20..	36,735	1920	2,21,70,24,425	78,23,88,554	2,99,94,12,979	3,32,75,78,755	13,67,97,719	3,46,43,76,474
*1920-21..	37,029	1921	3,47,13,52,122	34,76,34,962	3,81,89,87,084	2,67,64,36,175	26,17,12,640	2,93,81,48,815
*1921-22..	37,266	1922	2,82,59,75,453	31,29,90,526	3,13,89,65,979	2,48,65,76,106	19,06,73,144	2,67,72,49,250
*1922-23..	37,618	1923	2,46,19,24,109	63,57,96,096	3,09,77,20,205	3,16,07,16,915	3,01,71,845	3,19,08,88,760
*1923-24..	38,039	1924	2,37,18,32,279	53,20,40,566	2,90,38,72,845	3,63,37,63,664	3,67,32,510	3,67,04,96,174
*1924-25..	38,270	1925	2,53,36,36,608	99,19,84,987	3,52,56,21,595	4,00,24,27,531	5,16,81,392	4,05,41,08,923
*1925-26..	38,610	1926	2,36,00,12,595	55,48,77,580	2,91,48,90,175	3,86,81,21,842	3,83,91,668	3,90,65,13,510
*1926-27..	39,048	1927	2,40,81,84,303	41,53,20,573	2,82,35,04,876	3,11,05,04,300	2,21,13,404	3,13,26,17,704
*1927-28..	39,048	1928	2,61,53,40,569	34,89,52,529	2,96,42,94,098	3,30,26,37,283	3,13,60,896	3,33,39,98,179
*1928-29..	40,330	1929	2,63,39,79,360	37,29,42,646	3,00,69,22,006	3,39,15,06,656	6,35,31,454	3,45,50,38,110
*1929-30..	41,723	1930	2,49,70,74,490	27,83,19,584	2,77,53,94,074	3,18,98,97,089	5,14,33,004	3,24,13,30,093
*1930-31..	42,281	1931	1,73,06,25,932	26,86,34,373	1,99,92,60,305	2,26,50,21,864	4,00,08,598	2,30,50,30,462
*1931-32..	42,813	1932	1,30,64,28,506	7,26,80,825	1,37,91,09,331	1,61,20,22,325	65,92,85,265	2,27,13,07,590
*1932-33..	42,973	1933	1,35,01,76,054	2,99,13,188	1,38,00,89,242	1,35,93,34,109	70,66,15,528	2,06,59,49,637
*1933-34..	42,973	1934	1,17,30,45,422	1,96,15,215	1,19,26,60,637	1,51,17,15,209	65,56,63,908	2,16,73,79,117
*1934-35..	43,021	1935	1,34,58,25,058	5,19,17,165	1,39,77,42,223	1,55,49,71,644	63,50,46,139	2,19,00,17,783
*1935-36..	43,118	1936	1,36,76,36,945	7,44,88,569	1,44,21,25,514	1,64,59,67,984	45,66,88,147	2,10,26,56,131
*1936-37..	43,128	1937	1,27,72,13,251	15,50,89,994	1,43,23,03,245	2,02,48,95,019	30,20,40,314	2,32,69,35,333
†*1937-38.	41,076	1938	1,77,22,27,989	4,71,24,768	1,81,93,52,757	1,89,76,39,162	19,76,70,257	2,09,53,09,419
†*1938-39.	41,134	1939	1,55,52,31,515	3,24,24,564	1,58,76,56,079	1,69,81,09,774	15,21,37,899	1,85,02,47,673
†*1939-40.	41,156	1940	‡1,65,28,20,972	....	....	‡2,13,57,43,991	....	....
†*1940-41.	41,052	1941	‡1,56,79,39,569	——	——	‡1,98,71,78,699	——	——

* Official year ending 31st March. † Exclusive of Burma due to separation.
‡ Imports and Exports of Government Stores and Treasure not available.

Exports of Cotton, Wool, Linseed, Rape Seed, Gingelly Seed, Wheat and Myrabollams from Bombay by Sea to Europe (including Port Said for orders) during the Calendar Years 1892 *to* 1941.

Years.	Cotton.	Wool and Goat Hair.	Linseed.	Rape Seed.	Gingelly Seed.	Wheat.	Myrabollams.
	Bales.	Bales.	Cwts.	Cwts.	Cwts.	Cwts.	Cwts.
1892	954,243	53,275	3,805,823	1,758,459	1,227,560	9,374,762	620,133
1893	857,771	49,538	4,319,264	4,275,862	1,510,317	5,043,690	563,053
1894	797,070	54,678	5,389,941	3,306,108	1,126,418	1,561,048	1,076,482
1895	624,465	61,586	2,639,749	1,829,827	1,379,335	2,522,933	775,582
1896	772,258	58,520	3,214,613	1,495,463	1,186,842	1,429,572	839,314
1897	511,899	51,710	775,838	1,874,663	831,398	5,343	555,081
1898	490,544	51,653	2,729,122	2,287,393	1,847,419	5,781,881	635,732
1899	500,232	53,272	2,136,142	1,967,680	1,613,679	2,852,863	752,343
1900	232,425	40,611	811,128	1,050,052	1,613,135	608	878,740
1901	560,434	33,091	1,754,701	2,586,544	1,704,817	38,619	728,055
1902	577,929	39,793	2,017,704	2,742,283	1,881,426	211,397	1,079,241
1903	958,199	49,332	2,957,635	2,614,181	3,063,821	2,783,625	748,137
1904	926,295	58,319	3,808,789	2,182,881	2,266,118	5,302,304	958,886
1905	667,323	63,666	3,485,956	728,041	1,420,503	4,205,315	621,298
1906	989,693	59,101	1,889,089	829,438	1,578,931	485,747	779,584
1907	1,126,376	54,390	2,353,472	2,026,544	2,235,206	552,660	848,293
1908	659,822	47,344	1,046,806	802,923	1,018,619	12,740	1,304,388
1909	672,247	69,121	1,843,403	1,273,005	1,620,631	2,177,644	76,757
1910	1,153,233	68,059	2,546,238	2,137,828	2,864,185	1,673,016	917,208
1911	776,417	62,721	4,905,089	1,383,053	2,016,231	3,326,327	662,892
1912	436,208	64,072	3,579,356	1,069,916	1,012,554	3,805,556	652,080
1913	736,262	63,244	3,713,812	1,042,510	1,695,000	4,997,989	549,483
1914	1,113,016	54,555	2,622,097	678,060	1,280,036	109,323	755,687

Exports of Cotton, Wool, Linseed, Rape Seed, Gingelly Seed, Wheat and Myrabollams from Bombay by Sea to Europe (including Port Said for orders) during the Calendar Years 1892 to 1941—continued.

Years.	Cotton.	Wool and Goat Hair.	Linseed.	Rape Seed.	Gingelly Seed.	Wheat.	Myrabollams.
	Bales.	Bales.	Cwts.	Cwts.	Cwts.	Cwts.	Cwts.
1915	403,322	82,456	1,603,837	543,494	150,068	1,593,092	601,144
1916	293,876	77,109	5,410,560	451,732	1,130,405	545,656	422,965
1917	358,378	84,151	2,630,619	321,811	639,091	4,636,634	408,692
1918	190,529	109,850	2,474,109	73,181	3,552	1,487,714	300,061
1919	337,043	63,938	2,689,540	396,514	331,022	126,416	538,022
1920	649,736	42,920	1,511,233	729,716	678,059	....	346,812
1921	503,215	36,931	524,442	165,908	264,842	....	419,329
1922	628,674	75,326	2,307,369	464,045	610,412	1,000	525,031
1923	980,710	51,734	3,043,144	786,356	156,675	419,046	389,198
Exports of Cotton Bombay,	*Wool, Linseed, Rape by Sea to all Foreign*		*Seed, Gingelly Seed, Countries during the*			*Wheat and Myrabollams from Years 1924 to 1941.*	
1924	2,520,053	75,992	2,990,141	881,200	468,157	547,085	888,994
1925	2,820,629	66,329	3,524,849	531,136	812,900	1,187,532	605,257
1926	2,257,802	46,347	1,585,096	77,894	72,752	138,592	719,078
1927	2,052,225	57,996	1,641,559	52,861	80,010	32,880	883,259
1928	2,563,221	71,769	1,828,077	189,435	471,740	68,162	641,162
1929	2,678,328	83,264	1,576,531	39,838	415,725	47,553	729,169
1930 .. .. †	2,755,604	41,532	2,110,422	13,354	19,708	32,857	732,974
1931	2,194,682	49,201	926,552	18,155	83,802	71,035	644,706
1932	924,302	33,474	491,481	39,023	248,126	26,236	592,374
1933	1,545,511	57,388	3,298,611	49,677	305,965	25,937	709,041
1934	1,713,319	41,329	3,229,879	69,178*	143,941	24,865	617,722
1935	1,633,888	48,036	1,222,517	43,854*	11,230	30,088	702,840
1936	2,153,096	34,789	3,329,916	52,145*	85,023	46,884	655,634
1937	1,779,985	38,033	2,086,453	53,742*	250,228	50,131	623,774
1938	1,535,838	33,350	3,334,933	46,674*	83,175	40,738	549,023
1939	1,619,859	51,477	2,593,561	42,988*	45,114	45,962	770,253
1940	1,368,584	17,626	2,063,025	96,737*	31,389	*A.*	553,826
1941	704,383	32,253	2,291,457	34,227*	45,067	*A.*	263,262

* Inclusive of Mustard Seed. † Includes Cotton exported to Calcutta and Coast Ports.
A Exports of wheat not available.

STATEMENT showing the Exports from Bombay by Sea of Indian Manufactured Cotton Piecegoods and Yarns since 1908.

Year ending 31st Dec.	Grey and White Piecegoods.			Coloured Piecegoods.		Total Piecegoods.			Yarns.	
	Packages.	Yards.	Lbs.	Packages.	Yards.	Packages.	Yards.	Lbs.*	Bales.	Lbs.
1908	120,300	215,698,687	60,862,003	30,997	50,792,342	151,297	266,491,029	66,622,757	598,621	234,484,640
1909	141,920	252,992,500	70,093,139	39,326	66,751,717	181,246	319,744,217	79,936,054	636,329	252,460,745
1910	136,972	250,489,940	68,312,314	45,333	75,673,845	182,305	326,163,785	81,540,946	565,999	223,758,970
1911	122,601	224,438,698	63,524,949	54,000	89,411,376	176,601	313,850,074	78,462,518	403,214	158,582,640
1912	126,681	231,976,527	66,009,051	64,169	107,289,928	190,850	339,266,455	84,816,614	579,281	228,759,317
1913	97,005	177,239,570	50,527,978	55,071	92,467,657	152,076	269,707,227	67,426,807	518,230	205,207,962
1914	91,837	169,515,937	49,361,518	42,084	72,602,270	133,921	242,118,207	60,529,552	437,159	173,172,953
1915	108,956	199,968,079	58,350,926	61,045	103,038,333	170,001	303,006,412	75,751,603	471,395	186,585,698
1916	175,923	248,326,445	70,956,464	82,818	139,616,532	258,741	387,942,977	96,985,744	410,972	162,627,300
1917	111,845	176,934,869	46,119,953	86,909	148,290,803	198,754	325,225,672	81,306,418	373,187	147,167,250
1918	94,071	153,463,774	40,025,958	71,424	126,063,308	165,495	279,527,082	69,881,770	193,275	75,599,059
1919	132,112	219,343,388	56,536,165	116,313	202,286,577	248,425	421,629,965	105,407,491	372,212	146,832,081
1920	149,552	241,230,910	61,482,863	157,042	120,332,112	306,594	361,563,022	90,390,755	288,778	113,351,962
1921	120,739	212,563,435	53,577,720	99,518	159,572,347	220,257	372,135,782	93,033,945	314,330	124,310,163
1922	138,769	254,292,354	65,928,239	100,581	176,411,422	239,350	430,703,776	107,675,944	267,711	105,122,885
1923	173,381	304,497,408	69,452,982	110,243	180,990,710	283,624	485,488,118	121,372,029	215,036	83,657,151
1924	177,950	320,087,971	75,657,413	103,999	169,055,231	281,949	489,143,202	122,285,800	175,175	67,861,329
1925	133,458	233,217,232	55,688,235	96,447	158,069,128	229,905	391,286,360	97,821,590	176,210	67,892,155
1926	119,331	210,752,239	50,243,116	112,795	180,075,412	232,126	390,827,651	97,706,912	175,869	67,786,883
1927	130,963	229,773,883	55,215,566	118,474	196,438,974	249,437	426,212,857	106,553,214	156,999	60,555,498
1928	100,699	177,282,508	34,777,044	97,936	157,677,505	198,635	334,960,013	83,740,003	102,954	40,816,700
1929	106,748	193,179,168	38,635,833	82,351	147,586,666	189,099	340,765,834	85,191,458	125,577	54,361,428
1930	136,281	241,220,836	48,964,399	75,555	122,465,715	211,836	363,686,551	90,921,637	126,006	50,490,540
1931	192,578	342,654,885	68,686,328	80,346	127,129,785	272,924	469,784,670	117,446,167	142,236	65,666,253
1932	294,483	794,303,908	106,795,020	72,177	108,236,606	366,660	902,540,514	225,635,128	122,156	46,294,310
1933	209,259	390,535,659	78,065,873	58,052	87,899,698	267,311	478,435,357	119,608,839	112,059	43,557,620
1934	229,024	414,324,303	86,762,142	65,728	94,046,841	294,752	508,371,144	127,092,786	94,853	37,126,195
1935	216,300	383,877,416	76,775,483	55,416	81,771,947	271,716	465,649,363	116,412,340	88,088	34,626,637
1936	243,834	442,916,172	88,583,234	58,167	84,883,124	302,001	527,799,296	131,949,824	80,995	31,337,340
1937	263,665	406,706,851	81,341,332	98,229	105,542,821	361,894	512,249,672	128,062,418	99,726	33,158,260
1938	222,819	497,943,219	99,588,644	68,733	90,598,779	291,552	588,541,998	147,135,499	133,719	53,845,533
1939	214,894	402,959,694	80,591,939	74,921	89,945,061	289,815	492,904,755	123,226,189	101,524	39,757,666
1940	201,513	302,405,778	60,481,156	115,362	160,859,627	316,875	463,265,405	115,816,351	94,721	35,675,019
1941	296,697	419,784,283	83,956,857	226,989	324,513,230	523,686	744,297,513	186,074,378	158,184	61,449,881

* The weights have been arrived at by dividing the length in yards by 4.00 the average weight of the Grey and Bleached Cloth.

COAL.

Imports of Coal into Bombay by Sea and Rail.

The following return of the Imports of Coal into Bombay by Sea and Rail in the years 1935 to 1941 is printed for the information of members :—

From	1935.	1936.	1937.	1938.	1939.	1940.	1941.
By Sea.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons	Tons.
Europe	6,190	5,875	14,240	9,611	200	1,422	400
Australia	1,800	4,584	2,751	..	..	..	..
Japan	..	1,325	469	98	..	..	..
Africa	7,143	15,805	8,643	14,552	17,006	410	1,090
Other Foreign Countries	..	..	..	..	285	45	..
Bengal..	466,790	447,377	215,058	341,951	412,053	41,942	3,495
Total—By Sea ..	481,923	474,966	241,161	368,212	429,544	43,819	4,985
Total—By Rail ..	19,875	22,022	130,113	167,845	232,294	623,446	*187,794
Grand Total ..	501,798	496,988	371,274	534,057	661,838	667,265	*192,779

*Arrivals by the Bombay Port Trust Railway are not included.

WHEAT.

The total area reported for the season 1940-41 was 34,862,000 acres as against 34,009,000 acres the previous year, or an increase of 853,000 acres or 2.5 per cent. The total yield of the crop was estimated at 10,005,000 tons as compared with 10,767,000 tons the previous year or a decrease of 762,000 tons or 7.1 per cent.

The following figures show the total Acreage and Outturn of Wheat in each official year from 1892-93 to 1940-41 :—

Years	Area (in thousand Acres).	Outturn (in thousand Tons).
1892-93 . ..	27,759	7,649
1893-94	28,717	7,269
1894-95 . ..	28,422	6,999
1895-96	24,071	5,380
1896-97	20,580	5,363
1897-98	24,538	7,208
1898-99 . ..	25,370	6,838

WHEAT STATISTICS—*contd.*

Years	Area (in thousand Acres).	Outturn (in thousand Tons).
1899-1900	18,688	5,357
1900-01	23,868	7,094
1901-02	23,446	6,091
1902-03	23,433	7,971
1903-04	28,413	9,641
1904-05	28,470	7,582
1905-06	26,296	8,579
1906-07	28,536	8,159
1907-08	22,806	6,104
1908-09	26,068	7,598
1909-10	28,018	9,591
1910-11	30,490	10,041
1911-12	31,141	9,925
1912-13	29,524	9,715
1913-14	28,475	8,358
1914-15	32,475	10,091
1915-16	30,320	8,652
1916-17	32,940	10,234
1917-18	35,487	9,922
1918-19	23,798	7,508
1919-20	29,949	10,122
1920-21	25,783	6,706
1921-22	28,207	9,830
1922-23	30,844	9,982
1923-24	31,181	9,660
1924-25	31,774	8,866
1925-26	30,471	8,696
1926-27	31,303	8,973
1927-28	32,193	7,791
1928-29	31,973	8,591
1929-30	31,654	10,469
1930-31	32,189	9,305
1931-32	33,803	9,024
1932-33	32,970	9,449
1933-34	35,992	9,414
1934-35	34,490	9,728
1935-36	33,639	9,420
1936-37	33,215	9,752
1937-38	35,640	10,764
1938-39	35,441	9,963
1939-40	34,009	10,767
1940-41*	34,862	10,005

*Subject to revision.

Estimate of the Wheat Crop of the Season 1940-41. Share of each Province and State of Area and Yield for 1939-40 and 1940-41. (000's omitted).

Provinces and States.	Area (in Acres).			Yield (in Tons).			Increase or Decrease in the Current Year over (Per cent.)				Yield per Acre. (Lbs.)	
							Area.		Yield.			
	Current Year 1940-41.	Previous Year 1939-40.	Average of preceding 5 Years.	Current Year 1940-41.	Previous Year 1939-40.	Average of preceding 5 Years.	Previous Year 1939-40.	Average of preceding 5 Years.	Previous Year 1939-40.	Average of preceding 5 Years.	1940-41.	1939-40.
British Provinces.												
Punjab	9,884	9,566	9,441	3,339	3,760	3,290	+ 3.3	+ 4.7	—11.2	+ 1.5	757	880
United Provinces	7,949	8,109	7,802	2,826	3,167	2,647	— 2.0	+ 1.9	—10.8	+ 6.8	796	875
Central Provinces and Berar	3,229	3,184	3,378	572	614	670	+ 1.4	— 4.4	— 6.8	—14.6	397	432
Bombay	1,750	1,686	1,741	301	311	311	+ 3.8	+ 0.5	— 3.2	— 3.2	385	413
Bihar	1,203	1,267	966	331	326	288	— 5.1	+24.5	+ 1.5	+14.9	616	576
North-West Frontier Provinces	1,096	1,138	1,131	405	424	435	— 3.7	— 3.1	— 4.5	— 6.9	828	835
Sind	1,094	931	1,020	259	260	254	+17.5	+ 7.3	— 0.4	+ 2.0	539	626
Bengal	169	177	153	34	46	43	— 4.5	+10.5	—26.1	—20.9	451	582
Delhi	48	42	45	16	14	16	+14.3	+ 6.7	+14.3	..	747	747
Ajmer-Merwara	24	7	21	7	2	7	+242.9	+14.3	+250.0	..	653	640
Orissa	4	4	(a) 3	1	1	(a) 1	..	+33.3	..	..	560	560
Total British Provinces	26,450	26,111	25,701	8,091	8,925	7,962	+ 1.3	+ 2.9	— 9.3	+ 1.6	685	766
Indian States												
Punjab States	1,522	1,477	1,469	488	503	461	+ 3.0	+ 3.6	— 3.0	+ 5.9	718	763
United Provinces State (Rampur)	110	110	117	35	38	30	..	— 6.0	— 7.9	+16.7	713	774
*Eastern Agency States	74	74	79	10	16	13	..	— 6.3	—37.5	—23.1	303	484
Bombay States	350	329	472	83	85	119	+ 6.4	—25.8	— 2.4	—30.3	531	579
Sind State (Khairpur)	95	105	95	34	31	30	— 9.5	..	+ 9.7	+13.3	802	661
Central India States	2,216	2,177	2,165	378	377	384	+ 1.8	+ 2.4	+ 0.3	— 1.6	382	388
Gwalior State	1,533	1,461	1,587	338	366	371	+ 4.9	— 3.4	— 7.7	— 8.9	494	561
Rajputana States	1,347	1,012	1,445	377	271	381	+33.1	— 6.8	+39.1	— 1.0	627	600
Hyderabad State	1,090	1,081	1,284	150	133	174	+ 0.8	—15.1	+12.8	—13.8	308	276
Baroda State	72	69	75	21	21	22	+ 4.3	— 4.0	..	— 4.5	653	682
Mysore State	3	3	3	(b)	1	1	..	..	..	..	299	747
Total Indian States	8,412	7,898	8,791	1,914	1,842	1,986	+ 6.5	— 4.3	+ 3.9	— 3.6	510	522
Grand Total	34,862	34,009	34,492	10,005	10,767	9,948	+ 2.5	+ 1.1	— 7.1	+ 0.6	642	709

* Formerly Central Provinces States. (a) Average for four years.

COTTON, 1940-41.

The preliminary Government forecast issued in August 1940 and relating to about 80 per cent. of the total area indicated an acreage of 13,454,000 acres as compared with 13,725,000 acres (revised) at the corresponding period in 1939, a decrease of 2 per cent. Weather conditions at sowing time were generally favourable although sowings were delayed in places owing to insufficient and late rains.

The final estimate issued in a supplementary memorandum at the end of April 1941 for the whole of India was 22,902,000 acres as compared with 21,580,000 acres (revised) for the season 1939-40, an increase of 6 per cent.

Government estimated the final yield at 5,785,000 bales as compared with 4,909,000 bales (revised) for the season 1939-40, an increase of 18 per cent. Private estimates were higher by a million bales without taking into consideration the 450,000 bales put down for domestic consumption.

The following figures show the movement of cotton through Bombay during the season 1940-41 :—

	Bales
Stocks on 1st September 1940 including mill stocks as estimated by the East India Cotton Association, Ltd. ..	776,573
Arrivals by rail and sea during the year ending 31st August 1941	2,836,943
Arrivals by road as estimated by the East India Cotton Association, Ltd. ..	376,133
Total ..	3,989,649

Exports during the year ending 31st August 1941 :—		
Indian Ports	16,899	
Foregn Countries ..	1,030,845	
		1,047,744
By rail up-country		529,570
		1,577,314
Bombay Mill Consumption		1,147,968
		2,725,282
*Estimated carry over on 31st August 1941		1,264,367
Total ..		3,989,649

The war in Europe was again a dominant factor in cotton trading throughout the season. In the U.S.A. cotton prices followed a steady uptrend, moderate during the early part of the season but very marked from the beginning of May when it became clear that it was the intention of the American Government to raise the mandatory loan level from 52 per cent. of parity to 85 per cent. On 5th August a cotton loan was announced on $\frac{7}{8}$" Middling average 14.02 cents per pound compared with 8.90 cents during the previous season. The rate for the new loan ranged from 10.67 cents for Low Middling to 22.79 cents for Long Staple. Anticipation of Government legislation led to active repossession of old loan cotton which resulted in a sharp rise in New York prices which were carried beyond the new loan level due partly to speculative buying but in a larger measure to sustained trade demand for domestic consumption. The October position in the New York market which on 3rd September 1940, closed 9.36 cents reached a peak of 17.26 cents on 28th July 1941. Thereafter there

*The East India Cotton Association, Ltd., estimated the stocks on 31st August 1941 as 1,280,481 bales.

was some easing in the rate but the New York market throughout the season was bullish and from the viewpoint of sentiment helped Indian prices.

A steep decline in exports, steadily rising domestic mill consumption, a squeeze in Broach cotton and a substantial rise in the price of cotton were the important features of the cotton trade in Bombay during the season under review. The season opened on September 2, 1940, with Broach April/May quoted Rs. 192. Thereafter, fluctuations were mostly narrow but the undertone remained firm. By the end of November the rate had risen to Rs. 213. From this level the market declined and at the close of the last trading day in 1940 Broach April/May was quoted Rs. 182. By January 22, the price had eased to Rs. 175½, the lowest of the season. There was an upturn towards the end of the month but no well established trend even in February. The April/May Broach price passed the Rs. 200-mark on March 14, and by the 25th of the same month the contract had risen as high as Rs. 249. Two sided movements followed but it was increasingly realised that the Broach April/May contract was working into a very vulnerable position. Advantage was taken of this position by certain parties in the market to squeeze the contract. Staple cotton came under a very strong domestic mill demand and such cotton was also exported in fair quantities earlier in the season. From Rs. 249 on March 24, there was a drop in the price level but Broach April/May again rose and was traded at Rs. 247 on April 29. Thereafter the squeeze in the April/May Broach contract drove the prices higher by leaps and bounds and the peak price of the season Rs. 323 was touched on May 15. The contract was finally settled on basis of Rs. 297 as fixed by the Board of the East India Cotton Association, Ltd., on the due date.

The April/May 1941 tender period was remarkable in that the sharp rise in prices attracted tenders against the Broach Hedge Contract which totalled no less than

252,400 bales, the largest figure against a single hedge contract since September 1922 when 351,400 bales were tendered against the Fine Oomra Hedge contract.

A notable feature of the cotton trade both in America and in India during some time past has been that both countries having lost practically all the export markets, owing to the spreading of the war to almost every country in the world, have had to depend more and more upon domestic mill consumption for the disposal of nearly the whole of their cotton production. The difference between the two countries, however, is that whereas America, owing to its colossal armament production programme, is in a position to consume nearly all the cotton grown in a season. India is unable to take care of the entire exportable surplus despite the record consumption of cotton by mills in India. Although Indian farmers realising that there is no market at present for short staple cotton have, where soil and climatic conditions permit, resorted to growing a larger quantity of fair staple cotton for mill consumption in India on areas which were previously devoted to the cultivation of short staple varieties, there are and there will still be left in India large quantities of short stapled Bengal and Oomra cottons for which the only outlet at present is export. And as all the export outlets for such cotton are now blocked, India is being steadily burdened with an ever growing surplus of short staple cotton.

In pre-war times India used to export on an average about 27 lakhs bales of cotton to the Continent, Japan and China. By the end of the first year of war India lost all the Continental markets which used to take about 8 to 10 lakhs bales annually. Total exports from India during the season 1939-40 were only 24 lakhs bales which compares with 34 lakhs bales exported in 1938-39. During the season 1940-41 India had to rely chiefly on the purchases of cotton by Japan, China and the U. K. for its export trade. The Indian market received a further blow when, on July 26, Japanese assets in India were frozen. In terms of the cotton

trade this meant that only cotton which had been sold to Japan and against which credits had been opened before July 26, could be shipped. A similar freezing order affecting China followed on July 30, but later both the regulations were modified to permit of fresh credits being opened to enable cotton sold before July 26, to be shipped to Japan and in the case of China fresh credits were permitted even for new business. The immediate effect of this modification was largely offset by the absence of sufficient ships to carry cargo eligible for export.

It was on the whole a difficult season but considering the fact that the All-India carry-over on 31st August 1941, was about one million bales more than last year, it was satisfactory to note that the futures market stood up to its many difficulties in a manner which was wholly commendable. The increased carry-over was due largely to a full yield in the Oomra districts and the loss of export markets for short staple styles. Staple cotton, on the other hand, had an excellent season being in strong demand by domestic mills. The result was the almost complete exhaustion of desirable staple cotton stocks at the end of the season, the surplus being confined mostly to short staple styles.

The following table gives details of arrivals into Bombay by Sea and Rail (arrivals by Road are not included) during the season with the total of the five previous years. (Actual weight converted into Bales of 3½ cwts. in each, after allowing 2 per cent. for tare in the case of receipts by rail.) Season ending 31st August in each case :—

Varieties.	1940-41.	1939-40.	1938-39.	1937-38.	1936-37.	1935-36.
	Bales.	Bales.	Bales.	Bales.	Bales.	Bales.
Khandeish	100,995	55,644	38,888	53,986	206,505	308,848
Central India	149,983	109,361	225,421	53,231	338,845	291,231
Barsi Nugger	125,098	114,118	96,307	150,436	174,497	176,300
Hyderabad Gaorani	50,854	48,009	4,474	40,380	101,682	41,660
Berar	386,742	318,618	163,102	335,987	579,602	344,040
Central Provinces	78,308	76,962	40,080	87,123	114,551	99,823
Dhollera	102,458	89,297	278,134	160,279	183,099	335,935
North-West Provinces	20,49	26,079	10,893	3,112	10,399	63,996
Rajputana	67,78	35,228	82,019	16,929	97,443	115,558
Sind Punjab	578,393	387,570	340,866	528,924	354,809	473,626
Broach	299,943	409,044	415,085	267,780	343,200	413,597
Compta/Dharwars	155,178	53,357	155,706	86,276	74,887	112,062
Westerns/Northerns	113,567	38,178	99,914	30,522	40,743	78,565
Cocanada	239	86	98	23	155	201
Tinnevelly and Cambodia	16,998	1,412	2,677	9,639	22,333	20,629
Soudan	669,360	484,994	66,471	68,000	79,824	18,883
Americans			3,487	178,188	20,546	27,023
Egyptians (other than Soudan) ..			91,869	139,314	101,701	62,353
Africans, East			238,889	341,809	284,248	185,218
Comilla, Burmah and other Sorts ..			‡ 267	* 1,240	† 260	491
Total ..	2,836,943	2,247,957	2,354,647	2,553,178	3,129,329	3,170,039

* Consisting of 1,107 Bales of Burmah, 69 Bales of Calcutta, 52 Bales of Turkistan Cotton and 12½ Bales of Persians.

† Including 106 Bales of Russian Cotton and 14 Bales of Persians.

‡ Consisting of 3 Bales of Burmah, 4 Bales of China and 260 Bales of Calcutta Cotton.

COTTON.

RECEIPTS at, and Exports from, Bombay Port, also Mill Consumption in the Island of Bombay, since 1864

In thousands of Bales (000's omitted).

Year ending 30th June.	Receipts.	Exports to			Mill Consumption.	Total.	Year ending 30th June.	Receipts.	Exports to			Mill Consumption.	Total.
		Europe.	Elsewhere.	Total.					Europe.	Elsewhere.	Total.		
1864 ..	..	867	3	870	American War. In 1863 and 1864 Bombay imported Cotton from China.		1888 ..	1,472	893	58	951	500	1,451
							1889 ..	1,851	1,286	46	1,332	565	1,897
							1890 ..	2,235	1,488	71	1,559	636	2,195
							1891 ..	2,020	1,070	107	1,177	762	1,939
1865 ..	..	1,065	1	1,066			1892 ..	1,720	905	202	1,107	728	1,835
1866 ..	..	1,187	14	1,201	42	1,243	1893 ..	1,738	816	169	985	724	1,709
1867 ..	..	1,277	5	1,282	46	1,328	1894 ..	1,769	908	159	1,067	731	1,798
1868 ..	..	1,030	48	1,078	47	1,125	1895 ..	1,540	525	143	668	815	1,483
1869 ..	..	1,225	56	1,281	48	1,329	1896 ..	2,151	800	346	1,146	849	1,995
1870 ..	..	1,115	50	1,165	49	1,214	1897 ..	1,612	603	405	1,008	703	1,711
1871 ..	..	967	39	1,006	50	1,056	1898 ..	1,730	424	409	833	817	1,650
1872 ..	1,085	1,002	48	1,050	52	1,102	1899 ..	2,033	578	520	1,098	951	2,049
1873 ..	1,151	1,079	34	1,113	53	1,166	1900 ..	988	117	444	561	745	1,306
1874 ..	978	917	34	951	67	1,018	1901 ..	1,896	620	340	960	696	1,656
1875 ..	1,311	1,192	25	1,217	83	1,300	1902 ..	2,142	525	732	1,257	987	2,244
1876 ..	1,345	1,285	20	1,305	135	1,440	1903 ..	2,454	921	349	1,270	986	2,256
1877 ..	1,073	980	35	1,015	147	1,162	1904 ..	2,151	1,036	423	1,459	973	2,432
1878 ..	1,141	920	38	958	161	1,119	1905 ..	2,609	384	664	1,048	1,072	2,120
1879 ..	961	800	46	846	204	1,050	1906 ..	2,663	1,017	477	1,494	1,141	2,635
1880 ..	832	652	64	716	181	897	1907 ..	2,949	1,169	747	1,916	1,116	3,032
1881 ..	1,171	874	34	908	220	1,128	1908 ..	2,123	731	454	1,185	1,079	2,264
1882 ..	1,832	1,521	87	1,608	277	1,885	1909 ..	2,166	643	723	1,366	1,099	2,465
1883 ..	1,770	1,335	95	1,430	313	1,743	1910 ..	3,152	1,054	968	2,022	984	3,006
1884 ..	1,759	1,295	100	1,395	348	1,743	1911 ..	2,467	1,014	668	1,682	953	2,635
1885 ..	1,139	791	70	861	392	1,253	1912 ..	2,540	383	923	1,306	1,078	2,384
1886 ..	1,480	1,009	61	1,070	391	1,461							
1887 ..	1,703	1,147	40	1,187	454	1,641							

RECEIPTS at, and Exports from, Bombay Port, also Mill Consumption in the Island of Bombay, since 1864
In thousands of Bales (000's omitted). —*contd.*

Year ending 31st August.	Receipts.		Total Receipts.	Exports.			Total Exports.	Mill Consumption.	Total.
	India.	Foreign Countries		Europe.	China and Japan.	Elsewhere.			
1913	2,733	46	2,779	534	1,023	30	1,587	*1,072	2,659
1914	3,733	6	3,739	1,301	1,245	24	2,570	1,078	3,648
1915	2,683	5	2,688	405	1,441	15	1,861	1,026	2,887
1916	3,133	6	3,139	294	1,691	8	1,993	1,096	3,089
1917	3,103	17	3,120	302	1,321	7	1,630	1,135	2,765
1918	2,279	27	2,306	293	1,213	7	1,513	1,068	2,581
1919	2,525	18	2,543	195	885	11	1,091	1,000	2,091
1920	3,405	22	3,427	629	1,579	24	2,232	957	3,189
1921	2,786	116	2,902	494	1,381	26	1,901	1,061	2,962
1922	3,383	109	3,492	645	1,896	52	2,593	1,074	3,667
1923	3,611	61	3,672	851	2,086	53	2,990	1,060	4,050
1924	3,227	93	3,320	1,104	1,558	53	2,715	821	3,536
1925	3,573	95	3,668	713	2,021	33	2,767	995	3,762
1926	3,208	127	3,335	552	1,874	26	2,452	778	3,230
1927	2,692	474	3,166	419	1,539	27	1,985	995	2,980
1928	3,235	189	3,424	798	1,391	34	2,223	569	2,792
1929	3,233	123	3,356	906	1,796	61	2,763	631	3,394
1930	3,317	163	3,480	946	1,647	63	2,656	877	3,533
1931	2,933	470	3,403	590	1,903	27	2,529	839	3,368
1932	1,557	538	2,095	154	762	38	954	921	1,875
1933	2,286	249	2,535	426	1,200	30	1,656	798	2,454
1934	2,293	223	2,516	396	1,136	23	1,555	613	2,168
1935	2,031	471	2,502	413	1,171	34	1,618	885	2,503
1936	2,877	293	3,170	516	1,464	34	2,014	836	2,850
1937	2,643	486	3,129	487	1,591	53	2,131	828	2,959
1938	1,825	728	2,553	354	803	64	1,221	1,037	2,258
1939	1,953	401	2,354	138	865	21	1,024	987	2,011
1940	1,763	485	2,248	..	..	..	1,283	813	2,096
1941	2,167	670	2,837	..	..	..	1,048	1,148	2,196

N.B.—As noted in the Chamber's Report for 1913, the figures shown above represent the volume of trade in cotton from 1st September to 31st August instead of for the year ending 30th June as was previously the case.

*Year ending 30th June.

RAINFALL AT BOMBAY, 1843 TO 1941.

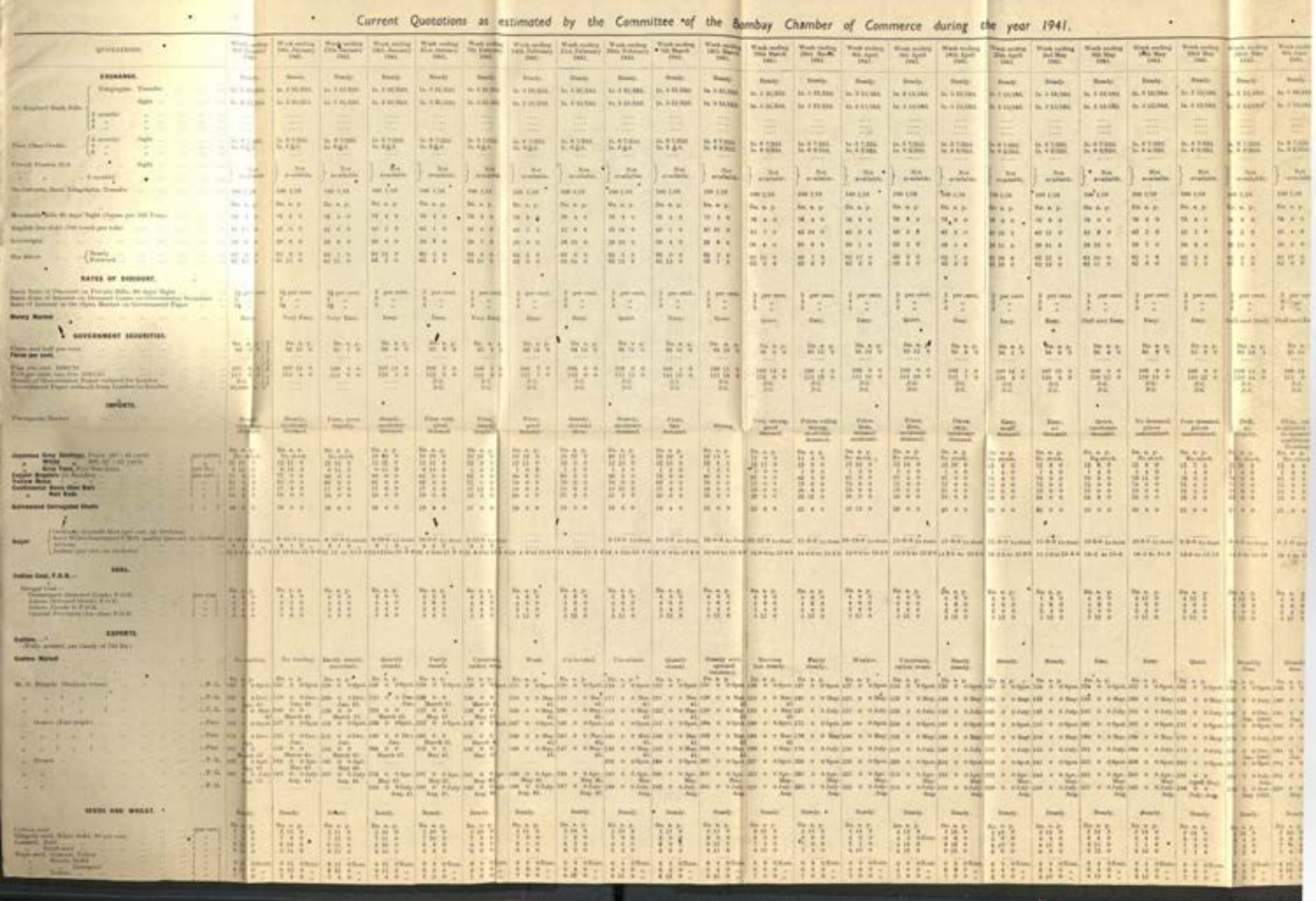
The following statement showing the Rainfall recorded at the Colaba Observatory, Bombay, for each month during the years 1843-1941, is published for the information of members :—

Year.	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Annual Total.
1843	..	..	..	..	0.15	7.61	20.62	17.70	8.39	0.77	..	..	55.24
1844	0.06	0.33	..	..	..	18.58	29.28	5.91	8.05	0.40	..	0.10	62.71
1845	..	..	..	..	..	17.88	18.07	9.54	8.63	..	..	..	54.12
1846	..	..	..	..	..	26.41	33.19	6.65	6.65	1.03	..	..	73.93
1847	0.09	0.02	..	0.31	1.40	37.56	16.46	8.68	5.68	0.28	5.53	..	76.01
1848	..	..	..	0.59	5.67	39.98	13.90	7.37	2.32	5.84	0.19	..	75.86
1849	0.34	..	..	..	..	23.41	50.99	12.66	26.13	0.75	0.61	..	114.89
1850	..	..	..	..	..	14.80	20.15	5.39	4.77	4.89	0.25	..	50.25
1851	..	..	..	..	0.52	24.50	47.02	20.03	3.89	0.04	0.07	..	96.07
1852	..	..	0.01	..	0.30	21.76	22.17	11.16	12.67	0.19	..	1.01	69.27
1853	..	0.05	0.02	..	..	33.76	13.05	5.95	9.83	..	..	..	62.66
1854	..	..	..	..	..	16.34	38.95	3.90	13.61	7.49	1.85	..	82.14
1855	..	..	..	..	..	29.18	11.83	3.82	5.29	9.06	..	..	50.18
1856	..	..	..	..	2.09	24.66	24.48	6.73	7.78	0.06	..	0.12	65.92
1857	..	..	..	..	0.57	9.26	8.74	15.71	14.21	2.78	..	..	51.27
1858	..	..	..	0.15	1.57	14.44	20.12	7.48	15.47	3.22	..	..	62.45
1859	..	..	..	..	..	26.87	28.70	14.59	5.94	1.06	..	..	77.16
1860	..	..	..	..	0.03	21.97	22.39	7.11	8.15	2.50	..	..	62.15
1861	..	..	..	..	0.69	15.43	25.34	30.35	3.24	1.86	..	..	76.91
1862	..	..	..	..	0.01	22.31	15.10	12.65	21.69	1.42	0.45	..	73.63
1863	0.41	..	..	0.11	0.07	23.41	30.78	10.60	9.98	2.32	..	..	77.68
1864	..	..	..	..	0.01	15.42	13.36	10.72	5.59	..	0.47	..	45.57
1865	0.38	..	..	..	..	10.61	18.28	36.42	4.86	6.16	1.14	..	77.85
1866	..	0.11	..	..	..	13.47	40.34	20.34	3.44	0.74	..	..	78.44
1867	..	..	..	..	..	8.70	39.39	12.21	6.80	5.07	0.13	..	72.30
1868	..	..	0.01	..	..	13.52	20.43	20.29	7.71	0.14	0.02	..	62.12
1869	..	..	..	..	0.03	26.22	23.89	15.24	22.56	3.55	0.05	0.12	91.66
1870	..	..	0.03	0.02	..	21.73	26.43	6.27	7.08	4.65	..	..	66.21
1871	2.22	..	..	..	1.25	8.91	9.96	8.95	6.01	0.25	2.97	0.06	40.58
1872	..	..	..	..	0.06	24.43	24.84	9.49	16.59	1.07	..	..	76.48
1873	..	0.05	..	..	0.51	20.36	16.98	23.96	7.77	0.07	..	..	69.70
1874	..	..	..	..	0.05	18.68	41.24	11.14	11.05	0.02	..	..	82.18
1875	0.47	..	..	..	..	24.36	15.39	12.23	31.76	..	0.35	..	84.56
1876	..	..	..	..	0.01	12.97	23.69	8.66	4.68	..	..	..	50.01
1877	0.22	0.52	..	..	..	35.58	11.10	8.51	8.89	8.33	..	..	73.15
1878	0.03	..	..	0.02	0.02	19.99	48.33	20.46	16.42	4.89	2.61	..	112.77
1879	..	..	0.03	..	5.23	16.56	11.21	22.36	5.61	0.40	..	..	61.40
1880	..	0.01	0.02	..	..	21.48	18.37	4.08	22.80	1.18	..	..	67.94
1881	..	..	0.04	..	0.36	15.29	29.47	19.06	4.56	4.17	0.09	..	73.04
1882	..	0.04	0.02	0.08	0.02	27.54	28.94	3.36	10.08	1.12	0.03	..	69.23
1883	0.12	..	..	..	0.33	13.65	39.88	12.57	12.37	10.40	0.86	..	90.18
1884	0.03	..	..	..	..	13.25	25.87	15.29	17.04	2.22	0.60	1.14	75.44
1885	..	..	..	..	0.02	5.11	21.81	25.42	12.01	3.54	..	..	67.91
1886	..	..	..	0.01	0.96	43.45	35.79	10.69	6.54	1.69	0.61	..	99.74
1887	..	..	..	0.02	0.09	24.07	30.98	17.59	18.23	2.79	1.02	0.16	94.95
1888	1.85	0.02	0.10	..	..	15.76	22.47	11.43	4.92	0.11	1.16	..	57.82
1889	..	..	..	..	0.67	19.89	30.45	10.32	2.71	3.80	..	..	67.84
1890	..	..	..	0.01	0.06	24.55	21.54	10.61	6.45	0.58	1.25	1.13	66.18
1891	..	..	0.22	..	..	13.99	32.48	6.94	22.53	1.04	..	..	77.20
1892	..	..	..	..	0.11	13.30	23.86	36.56	18.73	1.89	0.67	..	95.12
1893	..	0.14	..	0.02	6.30	21.47	16.14	13.55	7.54	0.45	1.63	..	67.24
1894	0.22	..	0.06	0.01	..	16.87	26.16	8.40	12.04	3.08	..	0.01	66.85
1895	..	0.07	..	..	0.08	17.84	18.04	15.97	11.91	3.62	0.06	..	67.59
1896	..	..	..	..	0.26	28.02	36.44	20.77	1.62	0.01	0.53	..	87.65
1897	0.01	..	..	..	..	14.40	30.19	13.82	20.60	2.51	0.22	..	81.75
1898	..	0.17	..	..	0.16	27.21	20.72	5.28	19.94	0.48	0.13	..	74.09
1899	..	..	..	1.57	0.08	20.81	4.72	5.23	3.49	..	..	..	35.90
1900	..	..	..	..	..	18.26	25.75	17.62	7.49	..	..	..	69.12
1901	0.74	..	..	0.04	0.01	25.36	32.70	14.27	1.81	0.39	..	..	75.32

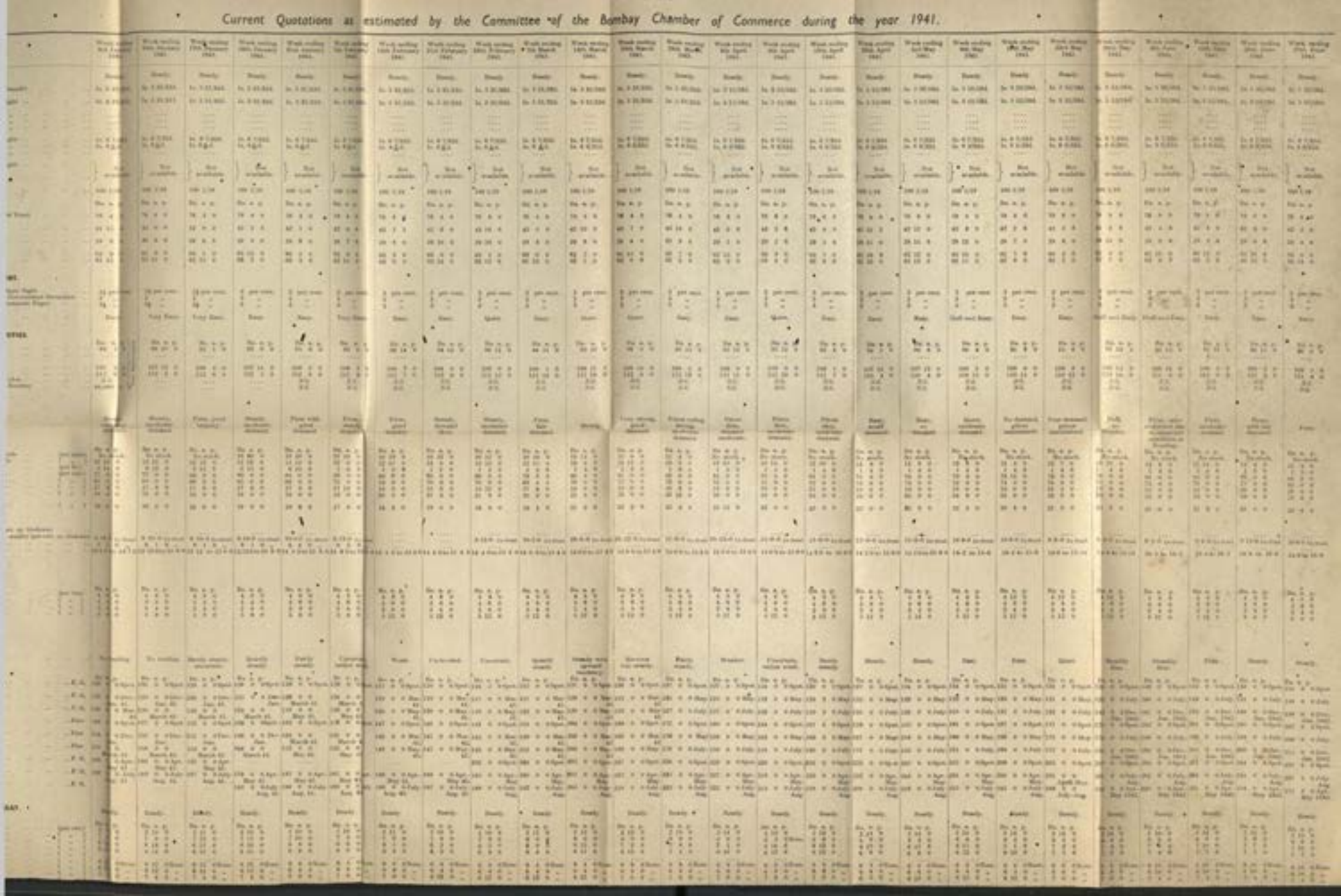
Year.	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Annual Total.
1902	..	..	..	..	..	9.77	16.96	16.53	27.11	0.78	0.01	0.81	71.99
1903	..	..	..	0.17	..	7.79	19.75	24.82	18.23	7.82	5.91	..	..	84.42
1904	..	..	..	0.07	..	0.02	15.10	10.14	5.72	1.81	0.56	..	..	33.42
1905	..	..	0.08	..	..	..	6.53	15.30	4.35	6.16	0.20	1.04	..	33.56
1906	..	..	0.15	..	..	..	12.91	18.34	20.92	3.98	..	..	..	56.30
1907	..	..	0.27	..	0.06	..	22.48	59.05	15.99	2.26	0.67	..	..	100.73
1908	..	0.09	0.07	0.06	..	..	12.39	23.65	9.87	6.79	0.62	..	..	53.54
1909	..	..	..	..	..	..	16.60	30.05	8.52	16.05	..	..	..	71.22
1910	..	..	..	..	..	0.03	23.50	6.50	18.15	15.25	4.29	0.14	..	57.86
1911	..	0.06	..	..	..	0.04	10.85	15.24	17.09	2.96	..	0.27	..	46.51
1912	..	..	..	..	..	0.43	10.79	25.40	9.90	3.26	0.65	3.62	..	54.05
1913	..	..	0.07	..	..	..	25.81	33.33	3.72	5.75	2.35	..	..	71.03
1914	..	..	0.08	..	0.07	..	16.65	30.13	13.27	21.06	0.01	0.18	..	81.45
1915	..	..	0.30	0.69	0.06	0.36	39.78	14.62	8.45	10.78	2.55	0.02	..	77.67
1916	..	..	..	..	0.04	0.07	23.43	22.78	19.51	14.59	4.79	0.72	..	85.93
1917	..	..	1.68	..	..	0.88	14.96	13.26	32.18	16.92	19.96	..	..	99.84
1918	..	..	..	1.46	..	11.00	10.82	4.25	4.81	3.11	..	0.09	..	35.54
1919	..	0.11	..	..	..	..	16.31	31.30	10.85	8.03	1.54	0.18	..	68.32
1920	..	0.99	0.33	..	..	..	8.16	22.00	5.18	4.05	0.34	..	..	41.05
1921	..	..	..	..	..	..	26.74	35.68	10.36	13.02	0.22	..	..	86.02
1922	..	..	..	..	..	..	25.48	31.15	5.08	6.95	0.61	..	0.14	70.41
1923	..	..	0.05	..	0.02	..	7.19	43.26	8.72	18.32	..	..	..	77.56
1924	..	..	..	..	..	..	7.46	16.73	15.43	12.13	0.06	0.38	..	52.19
1925	..	..	..	..	..	2.76	27.86	8.38	7.71	3.52	0.22	0.37	..	50.82
1926	..	2.99	..	..	..	0.10	6.19	30.88	22.21	8.98	1.29	..	..	72.64
1927	..	..	0.04	0.03	..	..	32.52	16.85	6.74	5.33	7.30	5.48	0.09	74.38
1928	..	..	0.01	..	..	..	27.71	30.93	16.65	9.91	0.43	0.09	..	85.72
1929	..	0.63	..	0.02	0.04	..	25.45	16.08	6.06	5.58	4.82	0.22	0.86	59.76
1930	..	..	..	..	..	0.02	26.71	10.26	6.64	43.85	52.50	..	..	89.98
1931	..	..	..	..	0.01	..	6.08	47.50	23.71	4.48	13.07	2.40	0.69	97.94
1932	..	..	..	..	..	..	10.62	35.30	6.96	11.13	9.01	0.01	..	73.03
1933	..	..	..	..	..	2.85	10.29	14.13	18.81	12.31	3.04	0.01	0.93	62.37
1934	..	..	..	..	..	..	28.5	21.4	14.00	5.00	0.20	3.80	..	73.81
1935	..	..	..	..	..	..	27.9	24.10	16.69	11.90	1.04	0.18	..	81.60
1936	..	..	..	..	..	0.33	32.63	8.09	9.27	5.72	0.01	2.31	..	58.36
1937	..	..	0.50	..	0.10	..	18.32	30.40	5.40	14.20	1.70	..	..	70.62
1938	..	..	..	..	..	1.3	31.3	16.00	16.80	10.3	15.2	1.1	..	92.00
1939	..	..	..	..	..	..	4.67	33.07	10.88	5.39	0.17	..	..	54.18
1940	..	..	..	..	..	..	29.98	21.03	28.27	11.26	4.89	0.76	..	96.19
1941	..	..	..	..	..	..	12.20	9.96	5.93	6.03	1.62	..	..	35.74

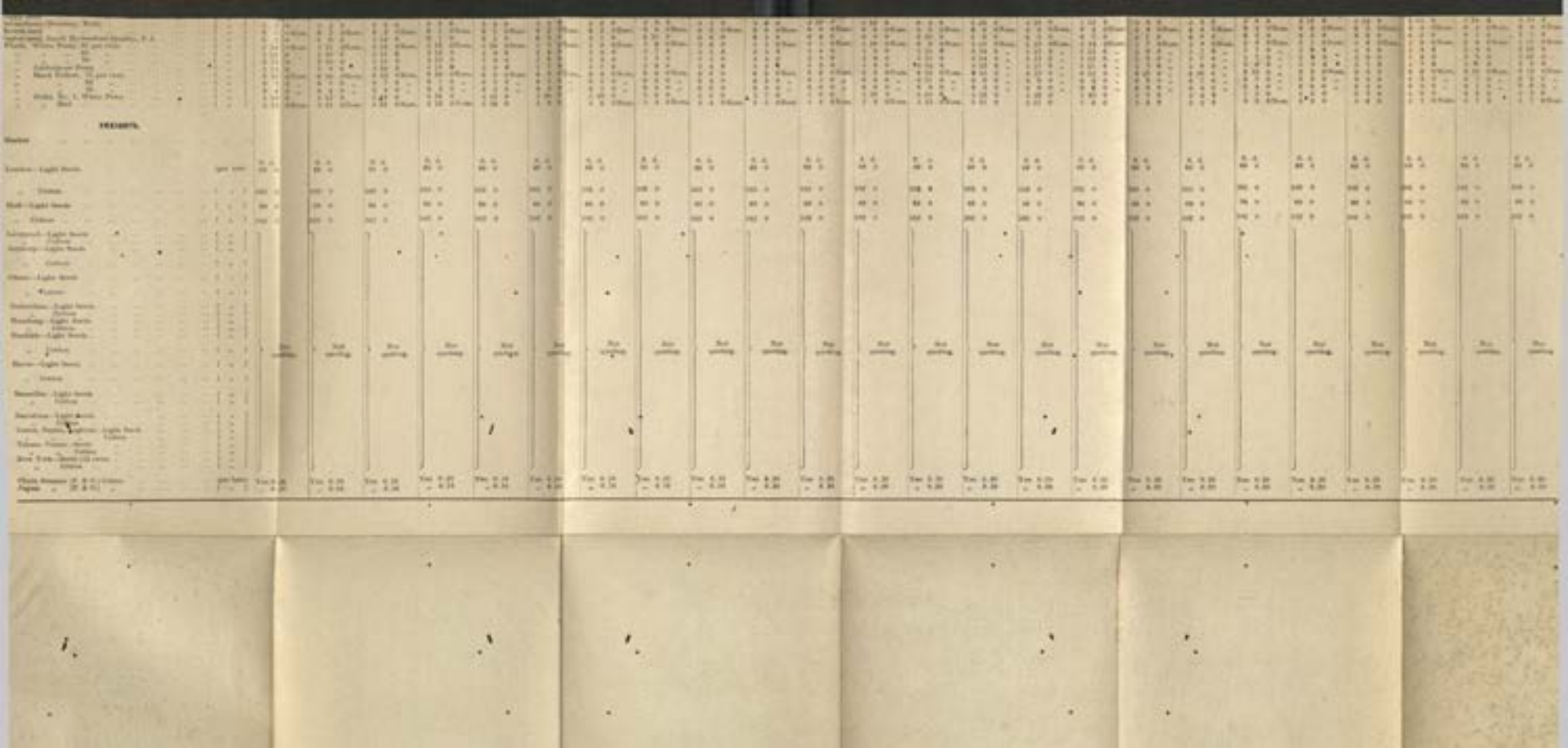
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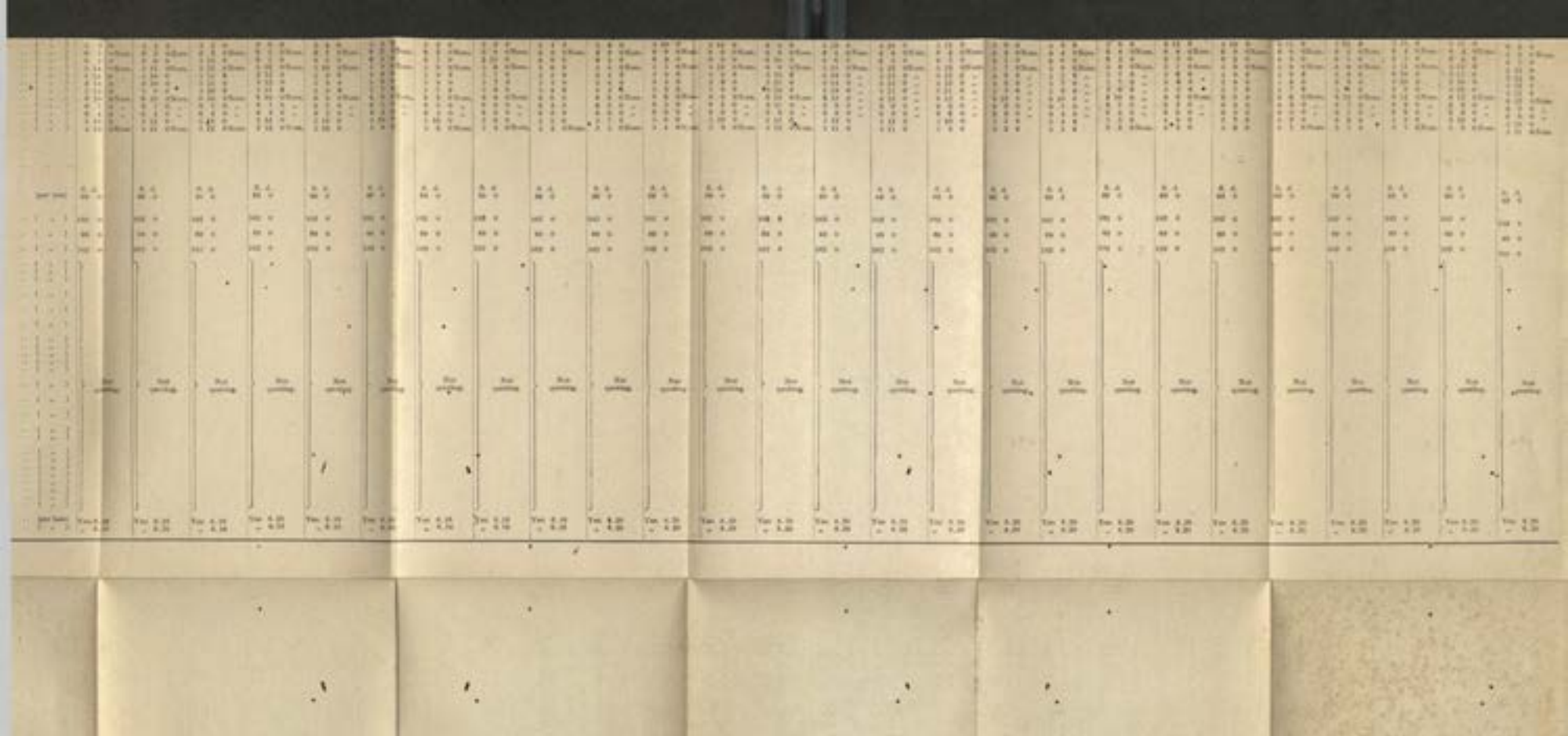
Current Quotations as estimated by the Committee of the Bombay Chamber of Commerce during the year 1941.



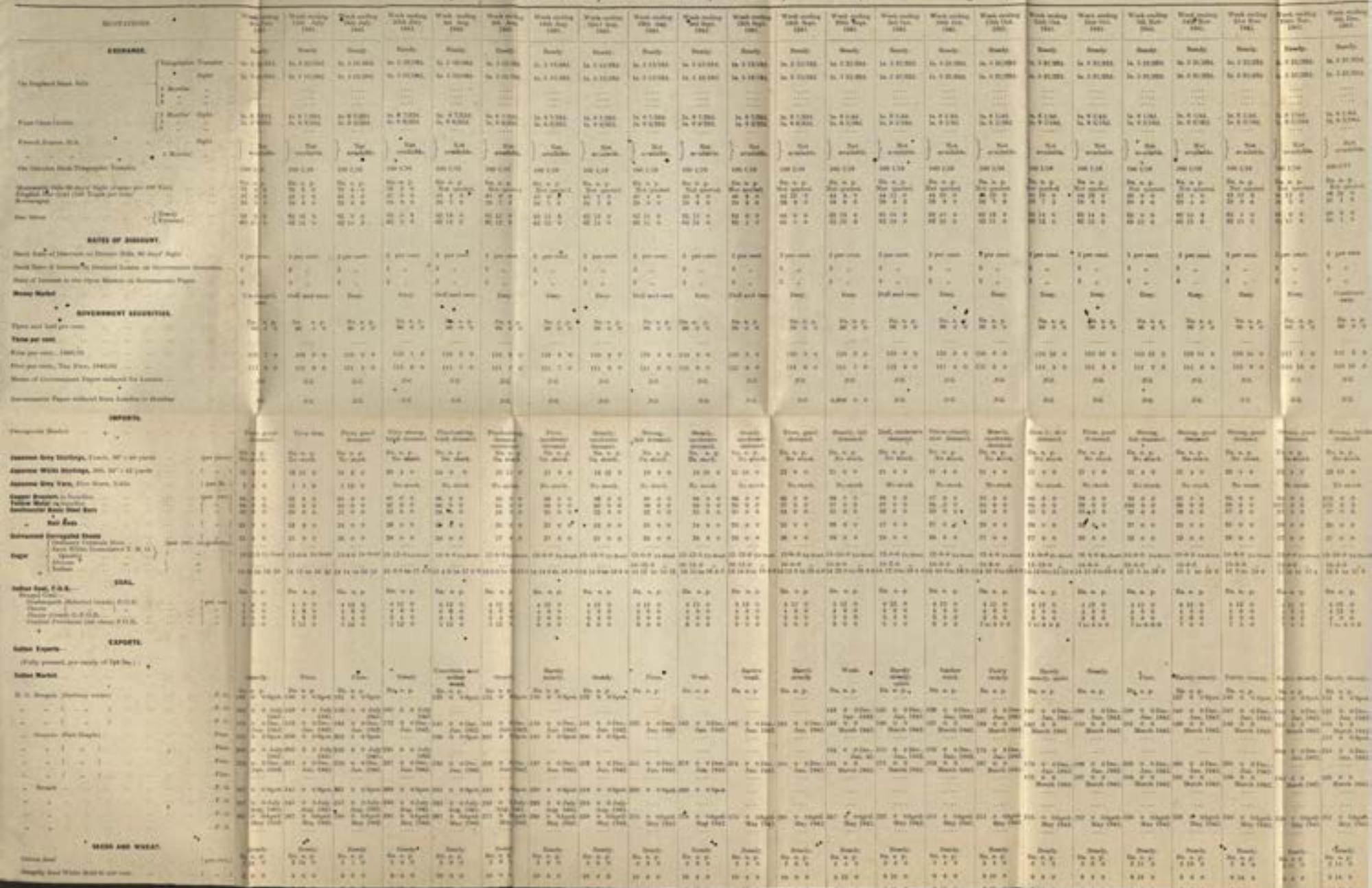
Current Quotations as estimated by the Committee of the Bombay Chamber of Commerce during the year 1941.

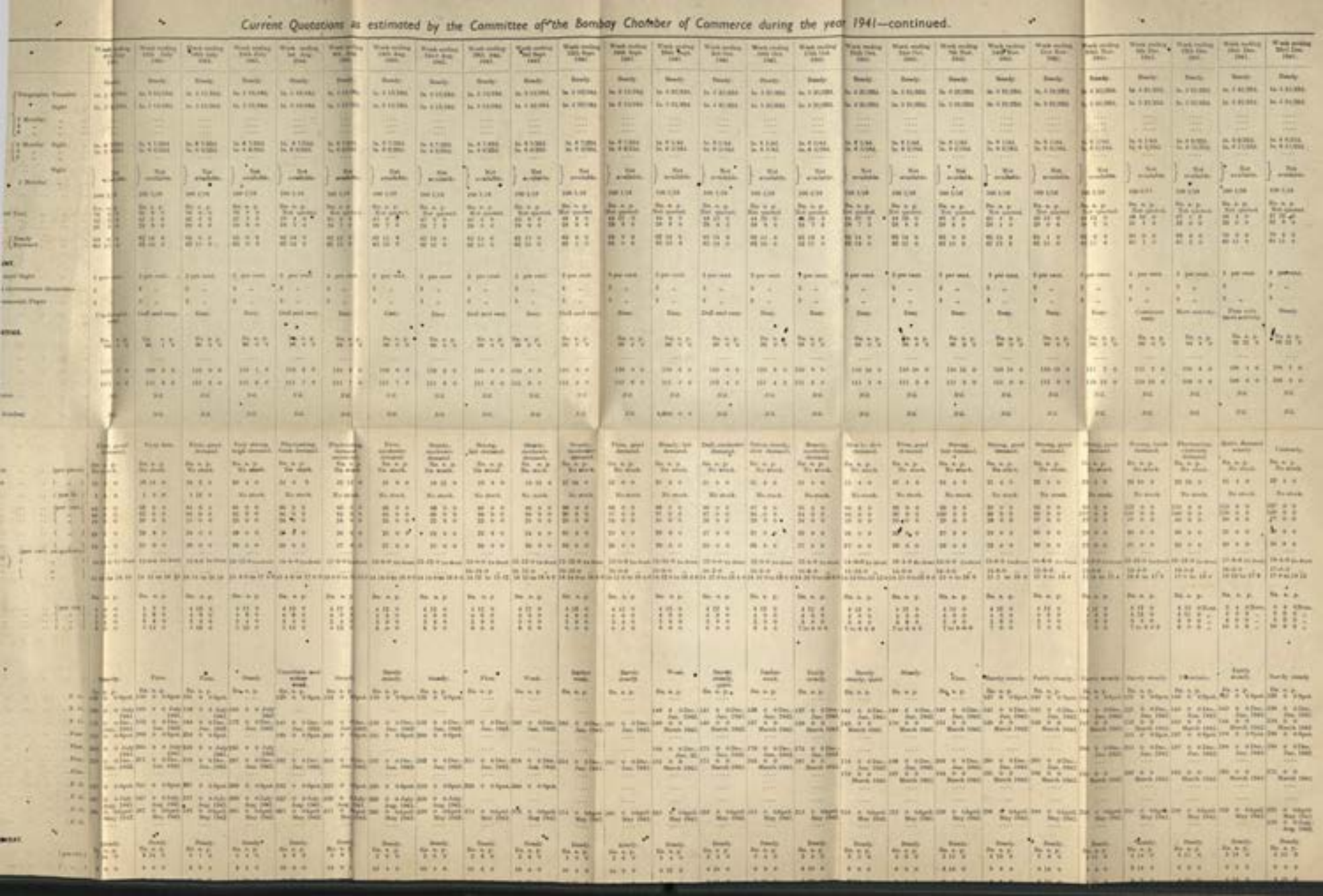


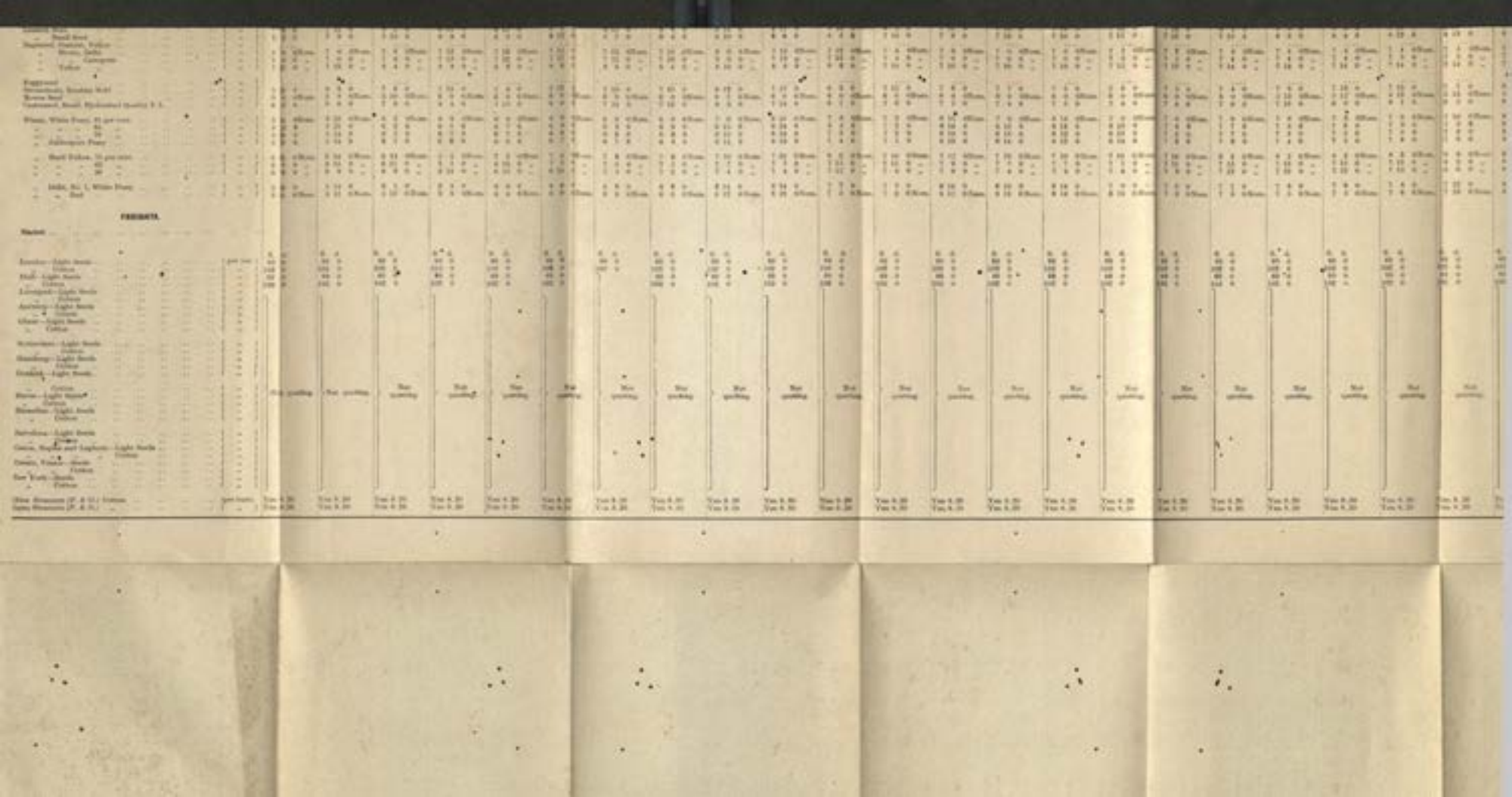




Current Quotations as estimated by the Committee of the Bombay Chamber of Commerce during the year 1941—continued.










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